

15th EBHA Annual Conference
 “Business, Finance and the State in 20th Century: European
 Comparisons in Historical Perspective, Crises and Transformation”
 Athens, 24-26 August 2011

Mr Onassis and Game Theory

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Draft paper

“I never gamble, it doesn’t amuse me” said Onassis to the reporters. “ I don’t oppose it. I understand it. My whole life has been a terrific gamble”.¹ Onassis was a great player in a game of “global chess” as it unraveled in a highly publicized case that stunned the world in the 1950s. This paper examines the confrontation of Aristotle Onassis with the American government in the 1950s. The ultimate goal is to examine the strategies used by wealthy international family businesses to confront governments in host countries. The history of attacking entrepreneurial elites of foreign origin has been a repetitive story in international business.²

During the 1940s and 1950s a large number of Greek shipowners previously based in London had transferred their base to New York, at the time which was increasingly becoming a world maritime centre. In the post-WWII the United States, at the time the world’s leading power was not a maritime nation and shipping under the American flag cost quite highly. In this way, it did not fill the oceans with American flag ships but promoted the adoption of flags of convenience from main traditional European shipowners from maritime countries. The flags of convenience, then the PanHoLib fleet -of Panama, Honduras and Liberia-, were cheap flags that provided cheap sea transport.³ In the 1940s and 1950s it was the Greeks that exploited such an

¹ *New York Times*, 20 June 1958.

² This paper is part of ongoing research for a book I am writing with the (temporary title) *From the Vagliano Brothers to Aristotle Onassis. Family business groups, international networks and global institutions*. It is highly interesting to see how in 1885, seventy years before the Onassis case, the Russian government under the new conservative Tsar Alexander III, took to trial wealthy Greeks, and particularly Maris Vagliano, a Greek tycoon involved in trade, shipping and finance of the South of Russia for fraud against the Russian government. See Gelina Harlaftis “The “multimillionaire Mr Marakis” Vagliano, the scandal of the Tangarog Customs and the 133 catastrophes of Anton Chekhov”, *Historica*, 2011 (forthcoming, in Greek) and Gelina Harlaftis, «From Diaspora Traders to Shipping Tycoons: The Vagliano Bros.», *Business History Review*, vol. 81, no.2, Summer 2007, p. 237-268.

³ For an insightful analysis see Cafruny, A. W. (1987): *Ruling the Waves. The Political Economy of international shipping*, (University of California Press). For a classic on flags of convenience, see Metaxas, B.N. (1985): *Flags of*

opportunity and became the main transporters of the US under flags of convenience. Established in New York a large shipowning Greek community was soon flourishing. By mid 1950s Onassis had more than 60 vessels registered under various flags including Honduras, Costa Rica, Liberia and Panama, and a large whaling fleet. He had residences in New York, Paris, Nice, Monte Carlo, Montevideo, Uruguay, and offices in major ports. He controlled over 30 corporations throughout the world. He held a major business that included the gambling casino at Monte Carlo, which gave him a great deal of influence in the political setup of Monaco.

This paper has three parts. In the first part I give a brief analysis of the development and structure of Onassis's businesses from 1920s to early-1950s, before the "game" with the U.S. government started. In the second part I analyze how I use game theory to examine the U.S. government vs Onassis case in the 1950s. In the final part I examine the various stages of the "game" as they unfolded.

Before the Game

Writing about Onassis has proved both fascinating and frustrating. As he attracted world's attention and he was on the headlines of newspapers and magazines, all over the world for years, there are references about him everywhere. There are thousands of articles (the *New York Times* alone has more than 2,500 columns on Onassis) that are still getting produced more than thirty years after his death. Reporters, journalists, gossip columnists, novelists, story-tellers, popular writers, movie makers, opera composers, photographers, previous lovers, previous housekeepers, previous business partners, have all produced columns, books, movies and music compositions about Onassis.⁴ What is remarkable is that none of the books on Onassis have any

Convenience, (London, Gower Press). For the resort of the Greeks to flags of convenience see Harlaftis, G. (1989): "Greek Shipowners and State Intervention in the 1940s: A Formal Justification for the Resort to Flags-of-Convenience?", *International Journal of Maritime History*, Vol. I, No. 2, pp. 37-63.

⁴ For a sample see Nicholas Fraser, Philip Jacobson, Mark Ottaway, Lewis Chester, *Aristotle Onassis*, Ballantine Books, New York, 1977. This is the most reliable account of Onassis' activities written by the team of journalists of London Sunday Times. They refer that they have used as sources, apart from the newspapers, documents from the Department of Justice, without any more reference though. Joesten, Joachim, *Onassis. A biography*, London, New York, Abelard-Schuman, 1963; Willi Frischauer, *Onassis*, London : Mayflower 1969; Doris Lilly, *Those Fabulous Greeks: Onassis, Niarchos and Livanos*, Cowles Book Company, New York 1970; Peter Evans (1986), *Ari: The Life and Times of Aristotle Onassis*, Summit books; Peter Evans, *Nemesis. Aristotle Onassis, Jackie O. and the Love Triangle that brought down the Kennedys*, Regan Books, 2004; Frank Brady, *Onassis. An Extravagant Life*, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1977; Francois Forestier, *Onassis, l'homme qui voulait tout*, Editions Michel Lafon, 2006; Nicholas Gage, *Greek fire: the story of Maria Callas and Aristotle Onassis*, Pan, London, 2001; Christian Cafarakis, *The fabulous Onassis: his life and loves*, New York, Morrow, 1972; Harvey,

references; usually at the end or the beginning of the book some general and vague references are made. As a result a mythology has been built and reproduced over the years. There are extremely few scholarly accounts of Onassis business and these are also mostly based on secondary evidence.⁵ It is rather extraordinary that this is probably the first paper on Onassis based on archival evidence directly referred to. I will base the analysis on Onassis business and his confrontation with the American government mainly on FBI archives; these will combined with previous archival research on his shipping fleet I have carried out based for example on International Shipping Registers like *Lloyd's Register of Shipping*, on the only long article he wrote himself and selectively from reports from the Press.

Onassis contributed to his own mythology. The beginning of his career was in all the main American and European newspapers in the 1950s. The story went as follows: Aristotle at 16 in 1922 went to Greece as a refugee; within months he boarded a vessel and sailed as immigrant to Argentina. There Aristotle worked as a telephone operator and a tobacco importer. At the age of 24 he was named Greek consul general in Buenos Aires, and at 25, the story goes, he had amassed his first million dollars.⁶ And the world wondered at this Horatio Alger classic story of the rise of the penniless boy to a world-admired millionaire. The gossip columnist Doris Lilly, among all the fiction she has created from her own interpretations of the Onassis story, has one comment that is quite perceptive: “this is the story Onassis tells today – to his friends on the Riviera, to the statesmen and business tycoons with whom he deals , to the lovely and highly placed ladies he enchants and highly amuses with stories of his boyhood and youth, to reporters, and to his most recent biographer Willi Frischauer. There is no question but

Jacques, *Mon ami Onassis*, Paris : A. Michel, c1975; Ingeborg Dedichen, *Onassis mon amour*, Éditions Pygmalion, Paris 1975. For a more recent publication see *Onassis and his legacy*, Alexander S. Onassis Public Benefit Foundation, Athens, 2003 and George Foustanos (2009), *Onassis. Pioneer in Shipping*, Argo. The latter says that he has made some new research but apart from a couple of new letters and interviews, he re-circulates, without references, the accounts of a previous (unquoted) bibliography. The contribution of the latter volume is a few new photos from the collection of Onassis' half sister Meropi Conialidis and photos of Onassis' ships with their technical details.

⁵ Gelina Harlaftis, *Greek Shipowners and Greece, 1945-1975. From Separate Development to Mutual Interdependence*, Athlone Press, 1993; Gelina Harlaftis, *A History of Greek-Owned Shipping. The Making of an International Tramp Fleet, 1830 to the present day*, Routledge, London, 1996; Gelina Harlaftis, Helen Beneki and Manos Haritatos, *Ploto, Greek shipowners from the late 18th century to the eve of WWII*, ELIA/Niarchos Foundation, 2003 (in Greek and English); Ioannis Theotokas and Gelina Harlaftis, *Leadership in World Shipping: Greek Family Firms in International Business*, Palgrave/Macmillan, 2009; Geoffrey Jones and Paul Gomopoulos, “Aristotle Onassis and the Greek Shipping Industry”, 9-805-141, rev. 18 October 2008, Harvard Business School.

⁶ See for example *New York Times*, 20 June 1958.

that he believes it in detail, as we all believe the stories that we tell about our childhood. I believe it is true in outline, if not in every detail".⁷

Yes, the real story is similar but also quite different. Onassis emigrated to Argentina in 1923 when he was 23 years old. Upon his entrance in the US, at Ellis Island in 1940, he declared that he was born in Salonica in 1906; place and date of birth are both wrong, invented by Onassis. It was only 28 years later that the FBI found the real date and place of birth stated in his children's passport: Onassis was born in Smyrna on 20 January 1900.⁸ He was the son of a middle-class tobacco merchant and graduated from the Evangelical School, the best Greek school of cosmopolitan Smyrna⁹; he was certainly fluent in Greek, Turkish, French and most probably must have learned some English. The Asia Minor Catastrophe in 1922 brought Onassis to Greece, like hundreds of thousands of Greek refugees from Ottoman territories. He stayed in Athens for barely a year before emigrating to Latin America. In 1923 he arrived in Argentina and was soon followed by his first cousins Nikolaos and Constantinos Konialidis; the latter was also his brother-in-law as he married Onassis' half sister Meropi.¹⁰ It was this traditional family business network that was Onassis' great asset and the one on which he relied to start his business. In partnership with his cousins they imported oriental tobacco to Argentina and expanded their business to Uruguay. After a short stay in Argentina, Constantinos Konialidis moved to Montevideo in Uruguay, where he was lived permanently, applying himself to the tobacco trade and shipping. Nikolaos Konialidis remained in Argentina and collaborated with A. Onassis in the tobacco trade for most of the interwar period. Within a decade Onassis had accumulated sufficient capital to turn to shipping, which remained his prime business activity from 1933 until his death.

If the beginning of Onassis' wealth lay on the foundation of entrepreneurship and traditional tobacco trade of the northeastern Mediterranean extended by him in the south

⁷ Doris Lilly, *Those Fabulous Greeks: Onassis, Niarchos and Livanos*, Cowles Book Company, New York 1970, p. 17.

⁸ "As you might have noticed recent news stories, concerning the marriage of Aristotle Onassis and Mrs Jacqueline Kennedy have reported his age as 62. I thought you might be interested in knowing that information furnished to the Department of State by Onassis' daughter and son Christina and Alexander show he was born in 1900. Files of the Passport Office disclose that Christina Onassis born on 12/11/1950 at New York City was last issued passport Z-762056 at the Embassy in London on 10/27/67. In her application she listed her father as Aristotle Onassis, born at Smyrna, Turkey, on January 20, 1900". FBI Archives "Aristotle Onassis", Bufile, 100-125834, Document 100-125834-19, 4 October, 1968.

⁹ The fact that he graduated from the Evangelical school is also according to his own narration. It is highly probable however, that a Smyrniot prosperous Greek merchant would send his son to the best Greek school in town.

¹⁰ Theotokas and Harlaftis, *Leadership*.

Atlantic, its apogee happened when he met, penetrated and eventually became one of the leader of the international maritime Greek business network. He did this through his friend Costas Gratsos, a member of the traditional international Greek shipowning community that was visiting often Buenos Aires on the account of his family business. Buenos Aires had become very important for Greek shipping in the 1920s. Greek-owned shipping developed since the 19th century as an international cross trader almost exclusively involved in tramp shipping.¹¹ It carried bulk cargoes, particularly grain from the Black Sea and coal from north western Europe. By the eve of the First World War, Piraeus-London, the main axis, around which Greek shipping evolved during the 20th century was already formed. The fleet's activities were still centred within European waters, carrying grain from the Black Sea and coal from the Great Britain as a return cargo. However, a substantial number of Greek ships had also started to plough regularly the Atlantic and Indian oceans. The outbreak of the First World War closed down the straits of the Dardanelles and excluded the Greek ships from the Black Sea grain cargoes. In this way they were forced to leave the Mediterranean market and to carry cargoes mainly on the routes of the Atlantic; they eventually turned to the Argentinian grain trade – the so-called “La Plata-Continent” route - to northern Europe with return coal cargoes. In this way Buenos Aires became one of the centres of Greek shipping in the 1920s. From 2 Greek steamships arriving in Buenos Aires in 1920, the number had rocketed to 333 steamships in 1929.¹² The establishment of powerful shipping offices in London that represented a large number of Greek shipowners was pivotal for the operation, survival and growth of the fleet during the great 1930s crisis. In fact, the Greek fleet was the only European fleet in the 1930s that expanded instead of contracting. Western European shipowners, particularly the British, sold ships at extremely low prices and the Greeks via their London offices bought them.¹³ And it is exactly what Costas Gratsos advised Onassis to do; he introduced him to his uncles' respected London Greek shipping office, the Dracoulis bros. When Onassis bought his first two steamships from the Greek office of the Dracoulis brothers in London, world shipping – and consequently the price of ships – had reached its nadir. Through the Dracoulis office Onassis bought in Canada

¹¹ Gelina Harlaftis, *A History of Greek-Owned Shipping. The Making of an International Tramp Fleet, 1830 to the present day*, Routledge, London, 1996.

¹² “Reports on the Financial, Commercial and Industrial Situation of Argentina and Greece”, Department of Overseas Trade, London HMSO, 1920-1929, in Harlaftis, *A History of Greek-Owned Shipping*, Appendix 6.6.

¹³ Gelina Harlaftis, «The Greek Shipping Enterprise: Investment Strategies, 1900-1939», in M. Dritsas and T. Gourvish (eds.), *European Enterprise. Strategies of Adaptation*, Trochalia Publications, Athens, 1997, pp. 139-159.

from the state company of the Canadian National Steamships two steamships that he named after his parents, *Socratis Onassis* and *Penelope Onassis* which he put under the Greek flag and manned them with Greek seamen; each ship cost him 3.750 sterling pounds.¹⁴ Costas Gratsos, from a traditional seafaring family of Ithaca, Onassis' invaluable adviser, loyal colleague and close friend, did not provide him only with his friendship and advice; he provided Onassis with the traditional know-how of Greek shipping: Onassis's ships were manned ever since by the excellent and experienced Ithacan seamen.¹⁵

Following the traditional practices of eminent diaspora Greeks of taking some diplomatic office of their country or other countries in order to acquire privileges in their host country and/or state support, Onassis sought to connect himself with the Greek state, since as a Smyrna Greek refugee had also Greek citizenship. He returned to Greece in 1928 when he wrote a detailed memorandum on the importance of Greek shipping in Buenos Aires addressed to the Prime Minister Eleftherios Venizelos who directed leave him to the Foreign Affairs Minister Andreas Michalakopoulos. Michalakopoulos, with whom Onassis met, appointed him Envoy Extraordinary in the Greek Consulate of Buenos Aires.¹⁶

In Buenos Aires, Onassis had the opportunity of observing the practices not only of Greek shipowners but also those of their Norwegian counterparts who, together with the British, were the most important owners visiting Buenos Aires. The Norwegian shipowners were also involved in the new and upcoming trade in crude oil, and the ships that transported it, tankers. Onassis perceived the potential and prospects for the development of crude oil as a basic global energy source globally. In 1934 travelling from Buenos Aires to Europe he met Ingeborg Dedichen, the daughter of the Norwegian shipowner Ingeval Martin Byde. Their affair that lasted for almost a decade brought him into contact with the Scandinavian shipping circles.¹⁷ Between 1938 and 1942 he built in the shipyards of Götaverken, Göthenburg, Sweden, between 1938-1942 three tankers. *Ariston* was launched in 1938, *Aristophanes* was built in 1940 and *Buenos Aires* in 1942; all vessels were confined in the Baltic because of the war. *Ariston* and

¹⁴ Foustanos claims that he found the evidence on the price of the ships in the Greek Registers of Shipping; see George M. Foustanos, *Onassis. Pioneering in shipping*, Argo, 2006, p. 27.

¹⁵ For detailed analysis of the thousands of the Ithacan seamen on board Onassis vessels see the recent study by Dimitris Paizis-Danias, *Memories of the Sea*, Athens 2008.

¹⁶ This information without reference in George M. Foustanos, *Onassis. Pioneering in shipping*, Argo, 2006, p. 27.

¹⁷ Ingeborg Dedichen, *Onassis mon amour*, Éditions Pygmalion, Paris, 1975.

Aristophanes were able eventually to sail under the Norwegian flag and administration during the war and were returned to Onassis at the end of it.¹⁸ Thus the war had changed Onassis's course and directed him to the United States.

Onassis arrived for the first time in New York in July 1940 on *Samaria* of Cunard. By 1942 he had settled in the United States. It is interesting to note that after the recommendation by J. Edgar Hoover, founder and Director of the FBI for forty years, Onassis was spied by FBI agents while in the United States.¹⁹ He was suspected of "sentiments inimical to the war efforts", and of "possessing fascist ideas", all of which proved totally wrong as the FBI reports admitted before closing his case. In 1942 he listed his addresses as: Legal-Reconquista 336, Buenos Aires, in Argentina; in the United States -Ritz Towers Hotel, 57 Park Avenue, New York City. He declared to the US authorities that his business was shipping and indicated that he intended to stay in the United States for five to six months. He stated in his application that he had previously visited the United States on July 10, 1940 and on April 17, 1942. The FBI confidential reports are highly interesting as they seem to include a large number of gossip and fallacies by the various informants about this "play boy" that lived between New York, Long Island and San Francisco; there were reports even of what brand alcohol he drank and what type of cigars he was smoking. The FBI stopped its espionage on Onassis in 1944 as it found nothing to prove their suspicions of anti-war or anti-American feelings and nothing illegal in his shipping activities. In the States Onassis operated together with his cousin Nikolaos Conialides the vessels *Calliroy* and *Antiope* based in San Francisco and New York. In 1946 he took a major step that meant final penetration into the traditional Greek shipowning circle. In 1946 he married the daughter of the leading Greek traditional shipowner from the island of Chios, Stavros Livanos and thus became brother-in-law to his most powerful life-time competitor, Stavros Niarchos.

At the outbreak of the Second World War, the Greek merchant fleet ranked ninth in the world in terms of gross tonnage. Among the nine largest fleets, three belonged to the Axis

¹⁸ Both ships under Norwegian flag were chartered on 24 October 1947 by Socony-Vacuum for a period of five years from Sociedad Maritima Miraflores at rates of \$4.10 and \$4.20 per deadweight ton per month. FBI, "Aristotle Onassis", part 2, Bufile 46-17783, 'Fraud against the government'. New York office 46-2507 report, May 10 1952, p. 50.

¹⁹ Archives of the Federal Bureau of Investigation (FBI), "Aristotle Onassis", BUFILE: 100-125834, Document 100-125834-1, 18 July 27 1942.

powers which made the Greeks particularly important to the Allies. The merchant fleet became the artery of the war, ploughing the Atlantic and Mediterranean routes, bringing supplies to Britain in the famous war of the Atlantic. Greece was conquered by the Germans on April 1941. Greek shipowners, in order to avoid their confinement in Greece, as they had experienced in World War I, at the outbreak of the conflict left for London --but more important, for New York. Their involvement in the oil trade through connections with the major oil companies, the adoption of flags of convenience, and the replacement of their fleet with the American war surplus ships set the stage for their expansion after 1945.

The great opportunity of acquiring new ships in highly favourable terms and prices came with the decision of the Maritime Commission to dispose of Liberties, Victories and T2 tankers.²⁰ The Ships Sales Act, by which American ships could be sold to domestic and foreign purchasers, on credit to Allied governments or to individual shipowners on state guarantee, was passed by Congress in March 1946. On 9 April 1946, the Greek government guaranteed the purchase of 100 Liberties on behalf of its shipowners. One hundred Liberty ships were purchased at the extremely low price of £16.5 million, a third of their original price.²¹ Of this amount only about £4.1 million, or 25 per cent, was paid in cash, with the remaining £12.1 million on mortgage to the U.S. Maritime commission backed by Greek government guarantees. The loan from the U.S. was to be paid off within seventeen years at an interest rate of only 3.5 per cent. This purchase has been described as the “founding stone” of post-World War II shipping.

Aristotle Onassis, despite the fact that he was the son-in-law of the respected Stavros Livanos, was still regarded as an outsider and was not able to get a single Liberty from the one hundred; it is interesting to note that his father-in-law was able to extract 12 Liberties out of the 100 for himself, an incredible feat.²² The purchase of the 100 Liberties was followed by the

²⁰ The United States Maritime Commission in 1936 and from 1938 to the end of World War was under the direction of Rear Admiral Emory S. Land. Its first aim was to form a merchant shipbuilding program to design and build merchant cargo ships that would replace the World War I vessels. It eventually launched during World War the most successful shipbuilding programme in the world, building thousands (about 6,000) merchant and Navy vessels. It built merchant vessels of types of Liberty, Victory, C1, C2, C3 dry cargo merchant vessels and T2 tankers. By the end of the war there were too many merchant ships that could not be operated by Americans. In 1946, the Merchant Ship Sales Act was passed to sell off most of war built ships to commercial buyers, both domestic and foreign.

²¹ Harlaftis, *A History of Greek-owned Shipping*, Table 8.2 lists all the Greek shipowners that purchased the Liberty ships.

²² Harlaftis, *Greek Shipowners and Greece*, chapt. 8.

purchase of seven 16,500-dwt T2 tankers. The American government decided to dispose of tankers on the same favourable terms as the Liberties. Seven of the tankers were allotted to Greece, which resulted in a major internecine conflict among Greek shipowners to control this bonanza. Since the shipowners could not decide how to divide this tonnage, Aristotle Onassis suggested that he would buy the tankers for cash and contribute part of the profits to the NAT (Seamen's Pension Fund) and other institutions for the public benefit. His offer brought an immediate reaction from the rest of the shipowners: the seven tankers were finally bought for cash by N. Lykiardopoulos, S. Andreades, S. Livanos, G. Nikolaou, P. Goulandris sons, M. Nomikos and the Chandris Bros.²³ Aristotle Onassis, who did not manage to participate either in the purchase of the 100 Liberties or in the one for the T2 tankers, responded to his colleagues' actions by focusing publicity on them. In an extended and highly revealing article, Onassis wrote in 1947 and published in Greek in the Greek-American newspaper *Ethnikos Kyrix (National Herald)* in 1953, he calculated that in 1947 alone the 100 Liberty ships generated incomes of £9 million and net profits of £2.8 million.²⁴

So, since Onassis was not to be helped either by the Greek shipping circle in New York or by the Greek state, he decided to take action alone. He applied through Constantine Konialides for the purchase of 18 vessels directly to the Maritime Commission represented by the Americans Joseph E. Casey and Robert W. Dudley; on 12 September 1947 the Maritime Commission denied his application.²⁵ Two weeks later the United States Petroleum Carriers Corporation was organized, on 27 September 1947 with stockholders Admiral N.I. Bowen, Robert W. Dudley and Robert L. Berenson. That very day the corporation applied for 10 tankers and on December 30, 1947 the Maritime Commission approved the purchase of four tankers. This was the beginning of a total purchase from the United Maritime Commission until 1949 of 24 vessels, more than half of which were tankers T2 (see Appendix I).

²³ E. Batis, 'The chronicle of the miracle (1947-1961)', *Naftika Chronika*, 1 January 1962, (in Greek).

²⁴ Aristotle Onassis, 'Our post war shipping, the state and the shipowners', Report to Manuel Kulukundis, President of the Greek Shipowners in New York, 1947), newspaper *National Herald*.

²⁵ All evidence from FBI, "Aristotle Onassis", part 2, Bufile 46-17783, from Director FBI to Assistant Attorney General James M. McInerney, "North American Shipping and Trading Company; United Tanker Corporation; United States Petroleum Carriers Inc; American Overseas Tanker Corporation; Simpson, Spence and Young. Fraud against the Government", 9 January 1952 and Allen J. Krouse to Fred E. Strine, Administrative Regulations Section, "U.S. Petroleum Carriers, Inc", 31 October 1951.

Before he proceeded to the above purchases Onassis had to overcome two major obstacles. The first one was legal and political, the second financial. Onassis, after the first denial by the Maritime Commission, approached the prominent Washington Attorney Office of Goodwin, Rosenbaum and Meacham. He already had connections to the top, with Joseph E. Casey, former Congressman from Massachusetts and his brother-in-law Robert W. Dudley, who worked at the Goodwin, Rosenbaum and Meacham at the time. According to the Merchant Ship Sales it was required that the sale of vessels were for citizens of the United States. Onassis planned everything in accordance with the law as he was well advised. He formed American companies with stockholders, what were to be called “quiet Americans”, that would appear to own the majority of the stocks of the company. As head of the United States Petroleum Carriers and “dummy President” he put Admiral N.I. Bowen who was introduced to him by Casey; this was a clever move as the Chairman of the United States Maritime Commission was Vice-Admiral W.W. Smith. Onassis formed his group of stockholders that also stood in the Board of Directors of his companies. These were mainly Robert Berenson, a shipping man whom he knew since the 1930s; Nicolas Cokkinis, related to the large Greek traditional Embiricos family, who had become a friend of Onassis since 1945 and became naturalized American citizen on 7 June 1948; Clifford N. Carver a ship chandler in the ship supply business, introduced to Onassis by Berenson; Arne C. Storen, a Norwegian naval architect, in California where he met Onassis in the early 1940s; Robert Berenson, Clifford N. Carver, Augustine t. Barranco, Harold O. Becker and others that Onassis had met during his time in the United States (see Appendix II).²⁶

The second obstacle was to search for financing. Financing the purchase of American vessels and newly built vessels has been one of the main achievements of Aristotle Onassis. In his article in the American-Greek newspaper *National Herald*, he mentions that in July 1946 he persuaded Citibank and Metropolitan Life Insurance to provide him with financing to purchase war surplus ships, particularly T2 tankers from the Maritime Commission and order newbuildings in American shipyards.²⁷ This is verified by the extensive investigation FBI carried out in 1952 interviewing the officials of Onassis’ companies and First National City Bank

²⁶ FBI, “Aristotle Onassis”, part 2, Bufile 46-17783, ‘Fraud against the government’. New York office 46-2507 report, May 10 1952.

²⁷ Aristotle Onassis, ‘Our post-war shipping, the state and the shipowners’, [Memorandum to the president of the Greek shipowners in New York, M. Kulukundis in 1947], published in *Ethnikos Kyrex (National Herald)*, 8, 10, 11, 12, 15, 17, 18, 19, 22, 24, 25 March 1953 (in Greek).

and Metropolitan Life Insurance.²⁸ According to Allen Krouse “the actual financing of the purchases of the vessels was through loans made with National City Bank of New York, but all this was accomplished only by posting of each collateral and U.S. bonds by the Onassis group. Other financial assistance to U.S.P.C [United States Petroleum Carriers] was given in the form of direct loans, the giving of mortgages on some of Onassis’ foreign flagships and assignments of charter earnings for security of loans. The total financial assistance give by the Onassis groups to U.S.P.C. amounted to \$20 million. He was able to do this on time charter guarantees from American oil companies”.²⁹ Further investigations that took place in the following year revealed more details. For example the purchase of the *Battle Rock*, *Camp Namanu* and the *Stony Point* took place through a \$4,300,000 loan agreement with Chase National Bank on 23 March 1948 on the guarantee of Aristotle Onassis. This loan was refinanced through the Metropolitan Life Insurance company by a bond issue of \$4,500,000 to mature on 20 March 1953. The earnings of these tankers were assigned as security on the bond issue. For the purchase of the 7 Victory vessels by Victory Carriers a loan of 2,800,000 from National City Bank of New York was obtained by the USPC.³⁰

Although this method is said to have been initiated by the “invisible” American millionaire Ludwig in the interwar period, Onassis probably followed the tactic of Norwegian tanker owners who were leaders in the field in the interwar period.³¹ Onassis developed the method of financing ships even further. For example instead of ordering one tanker at a time, he placed orders for a series of 6 “supertankers” ranging between 18,000 and 28,000 dwt in size at the American shipyards Bethlehem Steel company at Sparrow Point during the period 1948-1950. The six vessels constructed involved an expenditure of approximately \$36,500,000.³² The vessels were owned by the Panamanian company Olympic Oil Lines and were put under PanHoLib flags.

²⁸ See for example the interview by Berenson who reveals details of how he and Onassis approached the Oil companies and the Banks. FBI, “Aristotle Onassis”, part 2, Bufile 46-17783, ‘Fraud against the government’. New York office 46-2507 report, May 10 1952, pp. 174-180.

²⁹ FBI, “Aristotle Onassis”, part 2, Bufile 46-17783, Allen J. Krouse, Special Assistant to the Attorney General, to Fred E. Strine, Administrative Regulations Section, “U.S. Petroleum Carriers, Inc”, 31 October 1951.

³⁰ FBI, “Aristotle Onassis”, part 2, Bufile 46-17783, ‘Fraud against the government’. New York office 46-2507 report, May 10 1952.

³¹ Jerry Shields, *The invisible Billionaire. Daniel Ludwig*, Houghton Mifflin, 1986.

³² *New York Times*, Nov 21, 1948 ; Feb 23, 1950; Mar 9, 1950.

In this way between 1946 and 1954 he built his complex shipping business empire consisting of more than 30 American, Panamanian, Uruguayan and French companies owning by 1954-1955, 60 vessels, mostly tankers and cargo vessels, and a whaling fleet of 16 catchers, (see Appendix I). In order to create his fleet from ships from the war surplus American fleet he formed 12 companies (see Appendix II). Seven companies that owned 8 vessels were registered either in Panama, Liberia or Uruguay and flying Panamanian, Liberian or Honduras flags were 1) Oceanic Transport, Panama (2 Liberties), 2) Olympic Steamship, Panama (1 Liberty), 3) Sociedad Armadora Aristomenis, Panama S.A. in 1946 (with 3 Liberties, initially it had purchased 10 Liberties which within the next three years it sold), 4) Extramar, Panama S.A. (1 Liberty) 5) Corrientes Soc. Maritime S.A. Panama in 1951 (1 T2 Tanker) 6) Compania Uruguaya de Comercio y Maritima S.A., Montevideo (2 Liberties) and 7) in 1950, Balleneros Ltd, S.A. Montevideo (16 whale catchers). The American companies with 23 ships that flew the American flag were the 8) United States Petroleum Carriers Inc in 1947 (7 T2 tankers), 9) Pacific Tankers Inc (1948)/Western Tankers Inc. (1951), New York (4 T2 Tankers), 10) Victory Carriers Inc, New York in 1949, (9 Victory ships), 11) Trafalgar S.S. Corp., New York (2 T2s), 12) Olympic Whaling Co.S.A. (1 T2 converted to whaling ship). Apart from the above fleet he launched an extraordinary shipbuilding programme in German shipyards between 1953-1955 where he built the unprecedented number of 18 “super” tankers and in 1953 and in French shipyards in France 3 tankers (See Appendix I). All the newbuildings were registered in Panamanian and/or Liberian companies and were put under PanHoLib flags.

On the top of the above companies another four were formed acting as agencies to charter or operate the above ships, the Central American Steamship Agency, Inc, Sociedad Industrial maritima Financiera Ariona, Panama, SA, the Petroleum Carriers of Panama Incorporated, the Sociedad Maritima Miraflores, and the Transatlantica Financiera Industrial, Panama, SA.

The Onassis group of companies was created according to the way international shipping business operated in which the British led the way and Greek-owned shipping companies followed and developed further.³³ For each new ship, or a limited number of ships a new company was created; the ship-owning companies were established in a state that provided institutional and fiscal facilities, such as Panama and Liberia. The management of each

³³ Gelina Harlaftis and John Theotokas, “European family firms in international business: British and Greek tramp-shiping firms”, *Business History*, vol. 46, April 2004.

shipowning company was assigned to another management company which in its turn used another agency to charter the ships or operate them. In this way, no company was ever found to the “owning” company and the shipowner was always the manager of one of his agencies in a different country and capital.

In this way, the “Onassis group” represented the typical organizational model of the post World War II shipowning company. The management company and the ship-owning companies typically constitute two independent units acting on a principal-agent relationship basis.³⁴ As a rule the ship-owning companies and the management company are linked by the same interests. The management company was considered to be the entity that despite its formal independence from the ship-owning company, was the one to make the decisions concerning the employment of the ships as a productive unit.³⁵ In the web of companies that Onassis created, until the formation of his Olympic Marine in Monte Carlo in 1953, his main management company was Central American Steamship Agency, Inc in New York, which acted as the operating agent of his American companies. 17 out of the 23 American vessels were chartered to other Onassis’ companies like the Transatlantica Financiera Industrial, Panama, SA, Central American Steamship Agency, Inc, Petroleum Carriers of Panama Incorporated etc. or to the the British large shipbrokers Lambert Brothers based in London or the Simpson, Spence and Young based in London and New York.³⁶ The two latter British shipbroking offices operated all of Onassis’ other shipowning companies that owned the dry cargo vessels like Oceanic Transport, Panama, Olympic Steamship, Panama, Sociedad Armadora Aristomenis, Panama S.A., Extramar, Panama S.A., Corrientes Soc. Maritime S.A. Panama, Compania Uruguay de Comercio y Maritima S.A., Montevideo.

The above method was followed for tax avoidance purposes. When the American companies chartered their vessels to a Panamanian company that eventually subchartered them to an oil company which sent the charter fees to a third operating agent, this meant that the income from the chartering was not received by the American companies, but by the Panamanian company. It is interesting to see the difference on incomes by the ships chartered directly to

³⁴ For the analysis of the organizational model of Greek-owned shipping see Theotokas and Harlaftis, *Leadership*, Chapter 2.

³⁵ Ibid.

³⁶ FBI, “Aristotle Onassis”, part 2, Bufile 46-17783, ‘Fraud against the government’. New York office 46-2507 report, May 10 1952.

Socony-Vacuum Oil company (Mobiloil) and those chartered to Panamanian companies examined by the investigators of Onassis books of United States Petroleum Carriers Inc. as they are revealed in Table 1. The vessels *Camas Medows*, *Fort Bridger*, *Lake George* and *Arickaree* were chartered by Petroleum Carriers of Panama during four years at \$1.00 per dead weight ton and subsequently bare boat chartered to Socony-Vacuum Oil Company at \$2.05 per deadweight ton.³⁷ For example, according to the records of USPC, the tanker *Arickaree* was bareboat chartered in January, 1948, for a period of 12 years to Petroleum Carriers of Panama, Inc., and subsequently bare boat chartered to Socony-Vacuum Oil Company until March 1953. The income from the operation of the four vessels during the four years totaled to \$221,211.90. The operation of the three vessels of the same company bareboat time-chartered directly to Socony-Vacuum Oil company indicated an eight-fold income of \$1,739,096.42.

Table 1. Operating results of United States Petroleum Carriers (profits and losses before Federal Income Tax)

Year	Total Operations	<i>Camas Medows, Fort Bridger, Lake George and Arickaree</i> chartered in Panamanian companies	<i>Stony Point, Camp Namanu and Battle Rock</i> Chartered directly to Socony-Vacuum	Other activities
1948	-17,054.04	182.05	--	-17,236.09
1949	293,612.30	8,524.49	443,828.46	-158,740.65
1950	469,726.53	72,865.14	632,350.82	-235,489.43
1951	652,040.63	139,640.22	662,917.14	-150,516.73
Total 1948-1951	1,398,325.42	221,211.90	1,739,096.42	-561,982.90

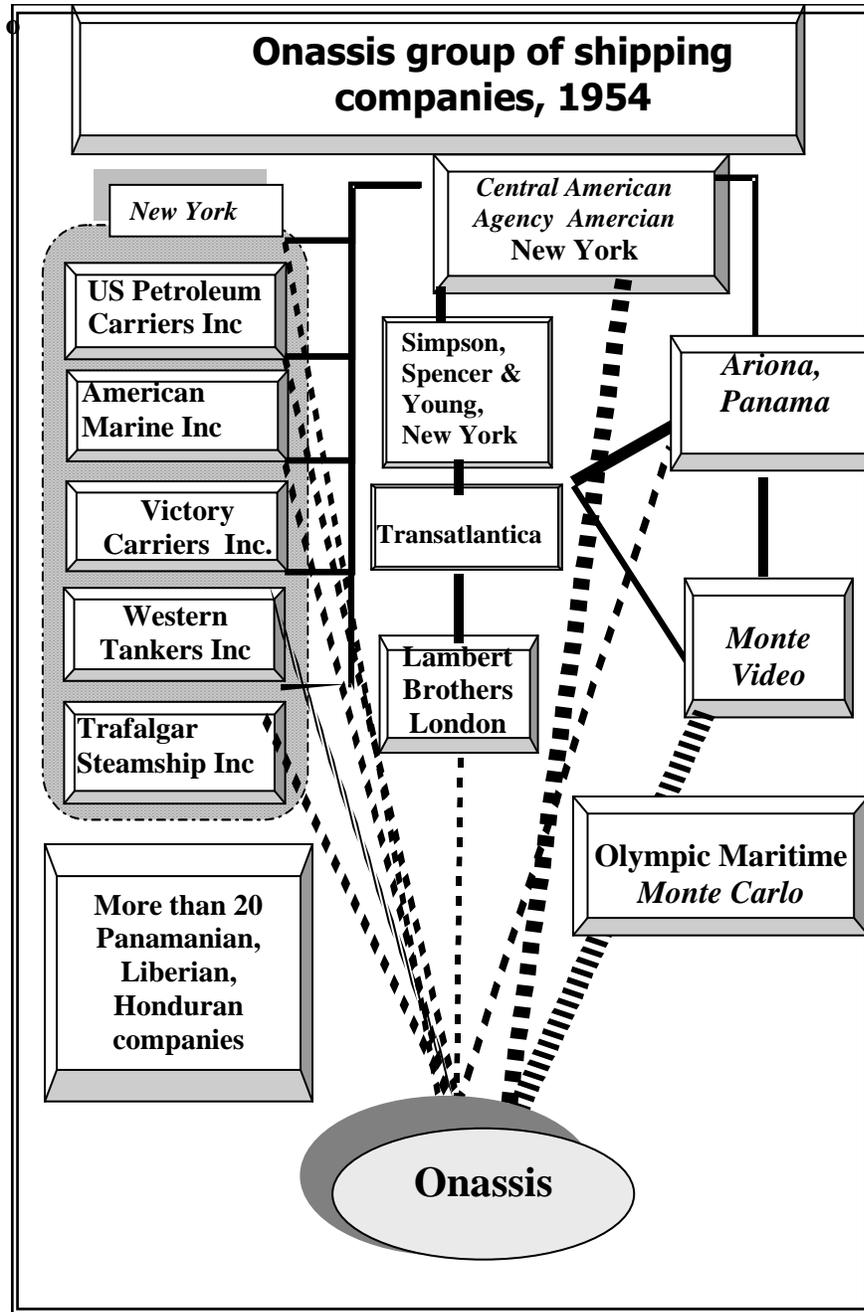
Source: FBI, "Aristotle Onassis", part 2, Bufile 46-17783, 'Fraud against the government'. New York office 46-2507 report, May 10 1952, p. 80.

For all the operating arrangements there were no written agreements. Extremely revealing for the way the shipping industry works, on the golden rule "my word is my bond" is in the FBI archives the long interview taken by one of the partners of Spencer, Simpson and Young, New York, Charles Augenthaler. Augenthaler was the chartering and financial agent for Onassis but his firm had no written agreement with him. The relationship between Simpson, Spence and Young began in 1939 or even earlier and that in the period of 1939-1940 the agency provided

³⁷ FBI, "Aristotle Onassis", part 2, Bufile 46-17783, 'Fraud against the government'. New York office 46-2507 report, May 10 1952, p. 98.

space in their offices for Onassis as it did for collaborating shipowners. He reported that the source of income of his company came from commissions in connection with chartering of vessels. He said he collaborated with the 7 companies of U.S.P.C. and with 10 foreign companies of what he described as the Onassis-Konialidis group.

Figure 1



How is game theory used for the Onassis case?

One can only imagine the incredible puzzle the US government and FBI officials had to face, and how they were dazzled by this complex international business invention, and how hard it was to untangle this web and find out who was “in control”. They had to prove the impossible: who was in charge of the American companies which were owned but did not appear to be owned by Onassis. The case of the US government against Aristotle Onassis will be analysed with the methodology of game theory that provides theoretical background to analyse strategic decision making. This paper is not about game theory, but rather the use of its methodology for analytical purposes. This is following Naomi Lamoreaux’s suggestion that the analytical tools of game theory can prove helpful in business history as “defining a game involves specifying the number of players, the order of play, the choices each player can make at each stage of the game, how each choice affects the other players’ choices and payoffs, the information that each has, whether the players can cooperate or not and the number of periods the game will continue”³⁸. In this way game theory gives us “a bag of analytical tools” that are designed to help us analyse how decision makers interact³⁹. Taking to trial Greek shipowners that were millionaires based in New York was a political and economic decision on the part of the United States. The case was not drawn only against Onassis. The American government sued another two Greek shipowners. What was at stake here was a group of Greek shipowners that had become extremely wealthy 1) by buying illegally war built American ships undercover by American companies, 2) By operating these ships under the American flag 3) by acquiring and/or building ships financed by American banks 4) by carrying oil for the American oil companies offending the interests of American shipowners, by 5) by allying to high-placed American Democrats to proceed in the previous actions 4) offending American foreign policy by carrying cargoes for whoever paid them to, like the « red » trade of China and North Korea, disregarding foreign policy of the United States at the peak of Cold War. But, as we shall see later, the Greeks apart from being international players also served US interests.

³⁸ Naomi R. Lamoreaux, Daniel M. G. Raff and Peter Temin, “Economic Theory and Business History”, in Jones Geoffrey and Jonathan Zeitlin (eds) (2008), *The Oxford Handbook of Business History*, Oxford: Oxford University Press, pp. 37-66.

³⁹ Osborne Martin J. and Rubinstein Ariel, *A Course in Game Theory*, MIT Press, Cambridge Mass. And London England, 1994, p. 1.

Using Nash's formal negotiation model let us first define the "game". The two main players are Player I the US government and player II Aristotle Onassis. Usually in the theory the game is about the strategies that are going to develop to solve economic situations "involving two individuals whose interests are neither completely opposed nor completely coincident"⁴⁰. Then, there are four stages in the formal negotiation model concerning the way the two players act. In **Stage One**, each player chooses a mixed strategy which he will be forced to use if the two cannot come to an agreement, that is, if their demands are incompatible. The strategy of each one is the other player's threat; each one anticipates the threat of the other. In **Stage Two** the players inform each other of their threats. Both players have full information of what happened in the first stage. In **Stage Three** the players act independently and without communication. Each player decides upon his demand, which is a point on his utility (payoff) scale. The idea is that players will not cooperate unless the mode of cooperation has at least some utility to him. At this stage players have asymmetric information and they have to determine what will happen, if they do not co-operate and what will happen when they do. If the demands can be compatible, or increase their demands in order not to lose compatibility then each player gets what he demanded. In **Stage Four** the pay-offs are now determined. If they do not reach a settlement, the payoff to players is that the threats must be executed. According to Nash the above game is really a two-move game. Stages two and four do not involve any decision from the players. It is in stage 3 that decision is taken.

The Game

Stage One: Each player chooses a mixed strategy which he will be forced to use if the two cannot come to an agreement, that is, if their demands are incompatible. This strategy is player I's threat.

Player I: US strategy. US strategy towards Onassis reflected its mixed and self-contradicting post-war maritime policy dependent on a geo-strategic and political dimension on one side and an economic dimension on the other. A country's maritime policy reflects the attitude of the state towards shipping and is expressed through legislative, administrative and economic measures designed to serve the state's economic and political ends. The shipping

⁴⁰ John F. Nash, "Two-person cooperative games", *Econometrica*, 21, 128-40, 1953. See also Shaun P. Hargreaves Heap and Yanis Varoufakis, *Game theory: a critical introduction*, Routledge, London and New York, 1995.

policies of most countries have generally been based on one of two different approaches: one is nationalist and the other internationalist. This distinction depends on the extent of government intervention in shipping policy and the degree to which political rather than economic factors determine the policy. Since the second half of the 19th century American Federal maritime policy followed a highly protectionist path and ever since has been an ardent supporter of protectionism in this international industry *par excellence*. The protectionist measures were largely linked to the needs to keep and expand American imperialism, to maintain seapower through a strong Navy and a big merchant fleet. It tried to follow the well known doctrine clearly stated by the Elizabethan Walter Raleigh four centuries ago: “He who commands the sea, commands... the world itself”; Great Britain, the world’s superpower for more than two centuries, followed this rule faithfully to the end. The American Admiral Alfred Mahan stated in the late 19th century that there are tight links between foreign trade, seapower and national prosperity.⁴¹ This point of view took also for granted that a nation’s fleet is the one under its own flag; that there should be the so-called “genuine link” between nationality of the owner and that of the flag. In this way, official U.S. maritime policy has been governed by the doctrine that all ships of American citizens should be flying a nation’s flag and be built in that nation’s shipyards, something that proved highly costly and ineffective particularly during the interwar period. Persistence on maintaining “adequate” privately-owned American flag fleet led to subsidy programs designed to promote the building and operation of U.S. flag ships, subsidies plagued by a “litany of misadministration”.⁴²

The United States was able to “rule the waves” in the second half of the 20th century by the tacit policy it started in the 1940s and 1950s⁴³; that of indirectly supporting (through financial institutions) the use of flags of convenience by American or Greek citizens.⁴⁴ “Flagging out” from traditional registers to flags of convenience has been a major feature of post-Second World War international shipping as we have already mentioned. Flags of convenience are registers

⁴¹ AleA T., Mahan, *The Influence of Sea Power Upon the French Revolution and Empire, 1793-1812*, Little, Brown, and Company, seventh edition, Boston 1897.

⁴² See Gelina Harlaftis in the Roundtable for Andrew Gibson and Arthur Donovan, *Abandoned Ocean: A History of United States Maritime Policy*, University of South Carolina Press, 2000, *International Journal of Maritime History*, XII, 2, pp. 154-157.

⁴³ See the excellent Alan Cafruny, *Ruling the Waves: The Political Economy of International Shipping*, University of California Press, 1987.

⁴⁴ A prime example of an American “invisible billionaire” Daniel Ludwig. See Jerry Shields, *The invisible Billionaire. Daniel Ludwig*, Houghton Mifflin, 1986.

which provide low taxes and lax conditions of employment and operation. The first U.S. supported flag of convenience has been that of Panama and in 1948 U.S. oil interests assisted in establishing that of Liberia, both small countries remaining under effective American control.⁴⁵ At a time of a needed seafleet, the PanHoLib would be immediate allies to the United States and the American navy could enforce requisitioning of this fleet. It is true that the U.S maritime policy has been torn between its political needs of seapower that could be shown through American flag ships in the oceans of the world and its economic need to keep a profitable fleet or to use low-cost sea-transport. It was able to do the first through a highly protectionist and costly “official” maritime policy that pleased American Congressmen and state officials and the Navy but had obvious effects on a reasonable development of U.S. flag merchant fleet. Secondly, it pursued a “shadow” maritime policy that supported the use of flags of convenience fleet by American and foreign shipowners. Greeks, members of a small European maritime traditional nation in the immediate post-World War years served well the booming American external trade by providing abundant and reliable low-cost maritime transport operations.

Player II: Onassis strategy. Onassis’ strategy conformed with that of the leading Greek shipowners, who, in order to avoid their confinement in Europe, at the outbreak of the World War Two left for New York. There they were able to better administer their vessels, and enjoy the advantages of being resident in a country that became the main post-war economic power. Their involvement in the oil trade through connections with the major oil companies, establishing connections with the American financial institutions, the purchase of ships from the war-surplus American fleet for the replacement of their pre-World War II fleet and the adoption of flags of convenience, set the stage for their expansion and eventual apogee after 1945. For their part, Greek tramp owners served the US well: the Americans needed a low-cost tramp fleet that they could control, something they achieved with the Greeks through credit and the flags of convenience.⁴⁶ The fact, however, that Greece was the only traditional maritime European nation to take such extensive advantage of flags of convenience during the postwar period may be attributed not only to the choices made by US policymakers but also to the internal structures of the country. Great Britain and Norway did not rely to a similar extent on flags of convenience; the reasons may lie first with the powerful labour unions in their countries

⁴⁵ Rodney Carlisle, *Sovereignty for Sale. The origins and evolution of the Panamanian and Liberian flags of convenience*, Naval Institute Press, Maryland, 1981.

⁴⁶ A tramp fleet is involved in the carriage of bulk cargoes among third countries.

that prohibited the use of such flags and second with financial incentives by their governments. The economic and political structures of Greece meant that successive governments were able to weaken the Greek seamen unions' power after 1951, but unable to provide financial support to the ever-growing merchant fleet. So leading Greek shipowners turned to the US, and despite the internal conflicts of the Greek shipowning milieu, Aristotle Onassis had managed to become not only one of them but one of their leaders. Their main strategy was to pursue profit in the international arena beyond frontiers regardless of their host, or their own country's foreign policy; Onassis like his other Greek colleagues was a cosmopolitan businessman following global routes and global trade. Part of the success of the Greek shipowners in the immediate postwar years was based on their decision to make US, the world's leading economic power (but a weak maritime power) their main trading partners, as they had done on a smaller scale with Great Britain in an earlier period. This was the advantage of the cross-traders and of tramp owners: by serving international trade rather than the needs of a particular nation, they were able to adjust to changes in the international environment. Their interests in the 1940s coincided with those of the US, but not for long.

The clash of interests came with the Korean War (25 June 1950 –27 July 1953). As CIA agents informed the FBI, by providing photographic evidence, New York based Greek shipping tycoons like Stavros Livanos, Emmanuel Kulukundis and Stavros Livanos were carrying cargoes on American-built ships not only for the US and its allies but also to its enemies, North Korea and China.⁴⁷ Wars are extremely profitable times for international shipping. During the Korean War freights rates rocketed high as demand for supplies reach extraordinary heights too. Greek shipowners made available their tonnage to whomever gave the best freight rates; if it was the “Reds”, the “Reds” be it. The Cold War was not their war. After all for a Greek citizen with ships under Greek, Panamanian, Honduran or Liberian flags to trade with China, North Korea or other communist countries was not illegal. The ban on trading with communist countries applied only to US ships. But in the high time of McCarthyism, of extreme anti-communist fear and philology this was not to be tolerated. Foreigners had acquired US

⁴⁷ FBI, “Aristotle Onassis”, part 2, Bufile 46-17783, ‘Fraud against the government’. New York office 46-2507 report, May 10 1952.

vessels and were using them to undermine national security by trading with the Reds.⁴⁸ What was worse was that attention was brought to the fact that they had illegally purchased American ships from the United States Maritime Commission by defrauding the US government. To that end investigations and hearings started to take place on Livanos, Kulukundis, Niarchos and Onassis. But the case against the latter the most attention and publicity.

Stage Two: The players inform each other of their threats

Player I: The US government proceeded to inform Onassis of its threats. The Investigation on the surplus war vessels commenced in April 1951, when the staff of the Subcommittee of the Senate Committee on Government Operations, representatives of the Maritime Administration, and the General Accounting Office began an inquiry into the circumstances relating to the sale, chartering and resale of Government-owned surplus tanker vessels.⁴⁹ A team of investigators thumbed through Onassis' books in the offices of the United States Petroleum Carriers, Inc. based on the 9th floor of 655 Madison str., New York, to prove that the companies that were supposed to be American were actually controlled by him. They went through all the company books, they investigated and interviewed all that handled the purchases of the vessels, the stockholders and the Board of Directors of six of his American companies, the agencies with which they worked, the suppliers, the captains of the ships, the bankers, the shipbrokers. In June 1951 a series of reports from the Department of Commerce were forwarded to the Department of Justice dealing with the activities of numerous companies which had purchased and chartered surplus tankers for consideration of the possible violation of various provisions of the shipping laws requiring United States citizenship and other statutes relating to false statements.

The whole question of the surplus ship sales was formally opened on March 1952, when a Subcommittee of the Senate Committee on Government Operations was formed whose members included Senators Joseph McCarthy, Karl Mundt and Richard Nixon. This was of course a parallel "inside" political game, part of broader investigations by the Republican

⁴⁸ See also Nicholas Fraser, Philip Jacobson, Mark Ottaway, Lewis Chester, *Aristotle Onassis*, Ballantine Books, New York, 1977, p. 132.

⁴⁹ FBI, "Aristotle Onassis", part 2, Bufile 46-17783, 'Fraud against the government'. New York office 46-2507 report, May 10 1952.

majority in Congress launched to embarrass the Truman administration. The Republicans accused the Democrats for numerous charges of corruption in Truman's administration, which was linked to certain members of the cabinet and senior White House staff. This was also a central issue in the 1952 presidential campaign which helped Republicans to win after of almost twenty years of Democratic dominance in the next election. In January 1953 the successor to Truman was the Republican Dwight D. Eisenhower.⁵⁰

In February and March 1952, the Subcommittee of the Senate Committee on Government Operations (SSCGO) held public hearings in connection with the circumstances surrounding the sale by the Maritime Commission. On April 17, 1952 James M. McInerney, Assistant Attorney General, send a memorandum to the Director of the FBI Edgar Hoover requesting that further investigation be conducted into the activities of the United States Petroleum Carriers Incorporated and subsidiary companies. It set forth 77 different questions (so-called “items” in the FBI reports) to be covered. Within a month an interim report of 190 pages long was submitted recommending that the Department of Justice take prompt action.⁵¹ The Department of Justice reached the conclusion that U.S. Petroleum Carriers, Inc., Western Tankers, Inc., and Trafalgar Steamship Corporation, although ostensibly citizen corporations, were in fact controlled by foreigners, particularly A.S. Onassis, and therefore were not citizens within the meaning of the shipping laws. Their acquisition and operation of American Flag vessels without the approval of the Maritime Commission was deemed to be in violation of the shipping laws, thus subjecting the vessels to forfeiture to the United States.⁵²

In the meantime great publicity against the other leading Greeks, Livanos, Kulukundis and Niarchos had already taken place. Senator McCarthy was launching his demagogic warnings about the whole question of trade between the Eastern and Western blocs. “At least 96 ships which the US had sold to foreigners were engaged in a “blood trade” carrying strategic material to the Iron Curtain, where it was being used to ‘kill Yankees in Korea service’”. The US

⁵⁰ Robert J. Donovan, (1996). *Conflict and Crisis: The Presidency of Harry Truman, 1945–1948*. Columbia, Missouri: University of Missouri Press.

⁵¹ FBI, “Aristotle Onassis”, part 2, Bufile 46-17783, ‘Fraud against the government’. New York office 46-2507 report, May 10 1952.

⁵² See FBI, “Aristotle Onassis”, part 3, Bufile 46-17783, Office Memorandum from Warren Olney III, Assistant Attorney General, Criminal Division to the Director of FBI, subject “United States v. Onassis et al”, 28 December 1955.

government was seizing Greek-owned vessels that traded with the communist bloc.⁵³ A Memorandum to Hoover revealed that Onassis was considered a part of the larger ‘Greek shipping family’ that had to be taught a lesson as they were trading behind the Iron Curtain.: “Stavros Livanos is a British subject of Greek origin who is known in the shipping trade as ‘Stormy Weather’ Livanos and operates Panamanina, Honduran and Greek flag ships in world trade. He had two daughters, one of which was married to Stavros Niarchos and the other to Aristotle Socrates Onassis. This family operates a great deal of shipping under various names and using Greek, Panamanian, Liberian and American registration. We have forfeiture libels pending against the American flag tankers owned by companies controlled by Niarchos and Onassis. On January 14, 1953, the Niarchos interest applied for clemency and made a proposal to settle and compromise these cases. In the course of this proposal, it was represented as to Stavros Niarchos that “No ship owned or controlled by him has ever traded behind the Iron Curtain”. Using Lloyds Confidential Index of Shipowners, we have not been able to locate all of Niarchos’ companies. However, in the course of this inquiry, it was developed that Livanos and his ships have been for some time the subject of investigation by the Defense Department. Some of these ships were purchased from the Maritime Administration and are still paying the mortgage money to the Maritime Administration out of their profits in trade with Communist China... Photographs of the ships taken by our Navy during the later part of 1952”.⁵⁴

The civil litigation against the Onassis interests took place under the direction of Assistant Attorney General Warren E. Burger, head of the Civil Division of the Department of Justice who was also in charge of the seizure of his vessels. The first Onassis vessels seized by the Department of Justice was the T-2 tanker *Lake George*, which was seized at Wilmington Delaware, on 24 March 1953. Seventeen vessels were consequently seized in all, as it is clear in Appendix I; six vessels were not seized because they were not trading in United States ports. So, forfeiture actions were brought by the Department of Justice against 17 vessels owned by various corporations claimed to be controlled by A.S. Onassis to enforce provisions of the United States Shipping Laws prohibiting non-citizen control of American flag vessels.⁵⁵ The ships were not

⁵³ Fraser, p. 135

⁵⁴ FBI, “Aristotle Onassis”, part 1, Bufile 1100-125834, Department of Justice, Memorandum for Mr J. Edgar Hoover, Director FBI by Warren Burger, Assistant Attorney General, 4 February 1953.

⁵⁵ By 16 December 1955, 46 ships were seized in the Nustic Department’s program of taking possession of American flag vessels which the Government contended were actually controlled by foreigners in violation of the

laid up however; the US government continued their operation on behalf of Onassis. They continued their operation under the supervision of the United States Maritime Commission and their profits were deposited in a special account. By October 1953 an indictment and a warrant for arrest was formed against Onassis and was sealed by Court order waiting for Onassis return to this country.⁵⁶

A memorandum from Evans to Rosen on 2 February 1954 and 2:05 stated that McCabe from the New York office “telephonically advised that he had received information from the Immigration and Naturalization Service to the effect that Aristoteles S. Onassis had arrived from England by plane on February 1, 1954. At the time of arrival, Onassis advised that he intended to be in the United States for two months and furnished his address as being Central American Steamships Agency, 655 Madison Avenue, New York City. On October 13, 1953, the Federal Grand Jury, District of Columbia, returned a sealed indictment against Onassis and eight other individuals and six corporations charging violations of the False Statements Statute (Section 1001), Title 18). The fraud involved the obtaining of 23 surplus tankers from the U.S. Maritime Commission, by the U.S. Petroleum Carriers, Inc., reported to be an American corporation financed by American funds. Our investigation reflected that the operation of this corporation were in fact financed by Onassis. (Onassis, a naturalized citizen of Argentina, is the fabulously wealthy individual who reportedly recently purchased Monte Carlo). Among those indicted are Joseph E. Casey, former Congressman from Massachusetts, and Joseph H. Rosenbaum, prominent Washington Attorney”.⁵⁷ Along with Onassis, Casey and Rosenbaum, Robert Berenson, Nicolas Cokkinis, George Cokkinis, Robert Dudley, Charles Augenthaler and Harold Becker were charged for conspiracy to defraud the US government in the purchase of surplus Government-owned vessels along with the corporations United States Petroleum Carriers, Victory Carriers, Central American Steamship Agency, Sociedad Industrial Maritima Financiera Ariona Panama, and Transatlantica Financiera Industrial Panama.⁵⁸

United States shipping laws. See FBI, “Aristotle Onassis”, part 3, Bufile 46-17783, , Office Memorandum from Warren Olney III, Assistant Attorney General, Criminal Division to the Director of FBI, subject “United States Petroleum Carriers, Inc., et al.”.

⁵⁶ FBI, “Aristotle Onassis”, part 3, Bufile 46-17783, Office Memorandum from C.A. Evans to Rosen, “North American Shipping and Trading, Inc, et al., Fraud against the Government”, 8 February 1954.

⁵⁷ FBI, “Aristotle Onassis”, part 3, Bufile 46-17783, Office Memorandum from C.A. Evans to Rosen, “North American Shipping and Trading, Inc, et al., Fraud against the Government”, 2 February 1954.

⁵⁸ FBI, “Aristotle Onassis”, part 3, Bufile 46-17783, United States District Court for the District of Columbia. Holding a Criminal Term (Grand Jury Impanelled on September 2 1952), “The Grand Jury Charges”.

On February 8 1954, Onassis flew with his lawyer Edward J. Ross and other legal advisors to Washington. “He voluntarily appeared in the United States District Court for the District of Columbia, at which time he was arraigned and entered a plea of not guilty. He paid 10,000 US dollars and left the courtroom. The Court placed him under a bond with the condition he not leave the country”.⁵⁹ After a month he was given permission to leave and enter the U.S. as he pleased.

Player II: In this stage Aristotle Onassis, as his actions indicate, in order to confront the US government and defend his interests decided to proceed to a ‘global chess’ and carefully positioned his pawns by proceeding three strategic moves he made during the time of the investigations of his business in the United States. The first two consisted of moving the centre of his business to Europe. Firstly, he turned his back to the American shipyards where he had already built seven tankers between 1948 and 1950 providing work for the Bethlehem Sparrows Point Shipyard in Sparrows Point, between 1948-1950, a much advertised activity as we have already indicated above. The importance American policy makers gave in keeping the American shipyards going is indicated in the final settlement analysed later on. In April 1951 when American investigators were going through his company’s books, Onassis went to Germany and launched an unprecedented shipbuilding programme in the war devastated German shipyards of Kiel, Hamburg and Bremen. Kieler Howaldtwerke a.G., the Howaldtswerke Hamburg A.G., and the A.G. Weser, Bremen were literally revived from ashes and produced the incredible number of 18 large “supertankers” from 18,000 to 47,000 dwt, the largest vessels in the world that were ready from 1953 to 1955(see Appendix I). In addition to those he also ordered another 3 tankers of 30-35,000 dwt in French shipyards in the Ateliers & Chantiers de France in Dunkirk, in Chantiers et Ateliers de St. Nazaire in St. Nazaire and in and the Chantiers Navals de La Ciotat in La Ciotat.

He searched for a European domicile, a permanent centre of his international activities in Europe where his businesses could be neither taxed or legally persecuted for political reasons. He found the perfect place, Monte Carlo of Monaco, a tiny European Principality ruled by the Grimaldi family in financial decline. Monaco was a tax-haven, no income taxes, personal or corporate. Onassis was able to purchase one third of the stocks of the Société des Bains de Mer

⁵⁹ FBI, “Aristotle Onassis”, part 3, Bufile 46-17783, From Warren Olney III, Assistant Attorney General, Criminal Division, to Director, FBI, “Victory Carriers Inc et al, 1 March 1954.

(SBM) at the Paris Stock Exchange which made him the most powerful stockholder of this Corporation. SBM was Monaco's largest business concern and its main source of income for its people and its ruler. It owned large parts of real estate of the Principality, along with a series of hotels and the famous Monte Carlo Casino. Onassis by spending 1 million dollars to purchase the stocks was able to control a property of \$20 million. But acquiring the main business of Monaco Onassis achieved also something else: "he also got himself catapulted overnight into being a world-renowned celebrity".⁶⁰ Monte Carlo for the next ten years became the centre of his business affairs. In addition, it gave him glamour, great publicity and a relation not only with a Western European state but also with the European financial and political elite.

The third strategic move was strategically aimed at the heart of US global oil business interests in the Middle East. Onassis knew that in October 1953 an indictment was formed against him in the United States and the Americans were waiting for him to return to officially present it to him. It was during this time that in Paris and Monte Carlo with Spyros Catopodis, an Ithacan and school mate of his close collaborator Costas Gratsos, he prepared the ground for the agreement which he signed with the Minister of Finance of Saudi Arabia and full consent of King Saud on 20 January 1954. The agreement was to form a Saudi Arabian company in which Onassis would transfer tankers of 500,000 dwt; the ships would sail under the Saudi Arabian flag and would have the full priority advantage for the loading and transport of Saudi Arabian oil. In return, Onassis would pay some extra per ton money, above the freights the American companies would pay and he was to form a Saudi Arabian Maritime Academy to train shipping officers and Engineers.

Although this was a business agreement, it was to be perceived as a threat and a counter attack to the US government. And it did just do that. Onassis had not imagined how much impact this agreement would have in global oil and politics. This agreement went against the agreement of Aramco (Arabian-American Oil Company) – a consortium of four large American oil Companies, Standard Oil of New Jersey, Standard Oil of California, Texas Company and Socony-Vacuum Oil Company – with Saudi Arabia which provided monopoly of mining, refining and distribution of oil from 1933 to 2000. But it went even further. "King Saud", the report goes, is believed to be "controlled by some of his unscrupulous advisors, one of whom

⁶⁰ Maxwell Hamilton, "The Man who Bought the Bank at Monte Carlo", *True, The Man's magazine*, Dec. 1954, pp. 17-20, 83-86.

negotiated the Onassis Agreement and established a competitor to the U.S. for the movement of oil by Aramco. The procedural details regarding this agreement could seriously affect the transportation of oil for the U.S. Armed Services by restricting or perhaps prohibiting the carrying of Arabian oil by the military sea transportation services... The economy of Saudi Arabia revolves around the question of oil. The exploitation of the very fertile oil fields of this country is in the hands of a few major companies, from which the country receives royalty production. Also around this pivotal oil reserve depends the ability of the Western powers to supply the industrial requirements of Western Europe". And the report ended "... from an economic, and possibly from a political standpoint, the military aspects may be even more vital, although they cannot be estimated at the present time. The diversion of such oil to Soviet bloc interests, either for their use or for resale with the ruble as the monetary unit, would completely offset world trade, as well as increase the possibility of precipitating a conflict."⁶¹

After Onassis carried out the above three strategic moves he decided to return to the United States and voluntarily submit himself to the US Justice in February 1954.

***Stage Three:** In this stage the players act independently and without communication. The assumption of independent action is essential here, whereas no special assumptions of this type are needed in Stage one, as it turns out. In Stage three, each player decides upon his demand, the point on his utility (payoff) scale. The idea is that players will not cooperate unless the mode of cooperation has at least the utility to him.*

Player I: At this stage the United States government decided that it wanted a settlement with the Greeks. The reasons were multifold. For starters it was not at all sure that if taken to Court the case could be easily won. The main case against them was that they had defrauded the American government by forming American companies but the controlling interest of these companies was exercised by foreign companies. There the inherent difficulty was of defining in legal terms what constituted "control" of a corporation as the question of "controlling interest" by American citizens in the Merchant Ship Sales act was quite problematic. "By that Act a citizen included a corporation only if it was a citizen within the meaning of Section 2 of the Shipping Act of 1916. Section 802 states that no corporation shall be a citizen of the United States unless

⁶¹ FBI, "Aristotle Onassis", part 4, Bufile 46-17783, , Office Memorandum from A. H. Belmont to LV. Boardman, "Visit to Middle East and North Africa by Bureau's Army Liaison Representative", 16 June 1954.

the controlling interest therein is owned by citizens of the United States. A controlling interest shall not be deemed to be owned by citizens of the United States, if: 1. The title to a majority of the stock is not vested in such citizens free from any trust or fiduciary obligation in favor a person not a citizen of the United States. 2. By contract or understanding it so arranged that the majority of the voting power may be exercised directly or indirectly in behalf of a non-citizen. 3. By any means whatsoever control is conferred upon or permitted to be exercised by a non-citizen".⁶² The whole of issue of ‘controlling interest’ was too vague and the US government officials and Judges were posed with a great problem here; this issue could not be easily fought and won if taken to court as “a violation in this case cannot be established by direct evidence of any written or verbal understanding of the parties. It can be done only by an appraisal of their conduct, their relationships and the timing of their acts”⁶³. Then, there was another issue. The Maritime Administration had unloaded many of its surplus ships in the most trying of circumstances and the Justice Department’s general counsel had produced a memo approving in general terms the notion of selling to corporations of which a substantial minority of stock was foreign controlled.⁶⁴ For example the American shipowners Daniel Ludwig had transferred all his war-suplus vessels purchased by the Maritime Commission to Panamianian and Liberian vessels.⁶⁵

“Global chess” with Onassis was also difficult to handle. In order to force him make the move for a settlement in the most favourable terms for the US actions were taken without Onassis knowing on three levels: a) on the Onassis-Saudi agreement, b) on his whaling fleet c) on is The issue with the agreement with Saudi Arabia was very sensitive. The United States government proceeded in such a way as to jeopardize the agreement. On the American side it used FBI, CIA and Aramco and on the Greek side Onassis’ brother-in-law Stavros Niarchos and his ex-collaborator in the agreement Nicholas Catopodis worked together to that aim. The whole affair as it was orchestrated, was described by Onassis as “stabbing in the back”.

Aramco was of course outraged and sent a strong protest to the Saudi Government but had problems in dealing with King Saud. The agreement, according to Aramco officials, was a

⁶² FBI, “Aristotle Onassis”, part 2, Bufile 46-17783, Allen J. Krouse to Fred E. Strine, Administrative Regulations Section, “U.S. Petroleum Carriers, Inc”, 31 October 1951.

⁶³ Ibid.

⁶⁴ Fraser et al., *Onassis*.

⁶⁵ Shields, *Ludwig*.

direct contravention to the terms of the Aramco-Arabian agreement which involved both production and marketing. The US government sent a delegation to Saudi Arabia in April 1955 under General Trudeau , accompanied by FBI Liaison representative in order to meet with the Aramco and with the American Ambassador Edward Wadsworth. The aim was to gain audience with the King and present their protest against the agreement but also encountered problems. Wadsworth gained an audience with King Saud on 30 April and presented the potential threat to the American interests by the Saudi-Onassis agreement. The Saudis were informed that they might expect substantial loss from the implementation of the Onassis agreement as they might lose markets and their financial benefits if they chose to follow this agreement as there was an increasing global resistance on this affair. While the discussions between Aramco, U.S. officials and the Saudi government took place, Onassis' reputation in world press was not at its best; he was a businessman accused for conspiring to defraud the U.S. government. After months of repetitive pressure from the US government and Aramco, the Saudi government agreed that if Onassis does not agree with Aramco for a settlement the case would solved by arbitration. The Saudi government did not want to dishonor itself the agreement it had signed with Onassis. As a settlement was not accepted by Onassis the case was sent to arbitration where decision was taken three years later.⁶⁶

At the same time Stavros Niarchos, still under indictment himself, collaborated with the US government against the Saudi-Onassis agreement as it was also against his own interests. His New York office found for him Robert Maheu, a former FBI agent who had the assignment of "mobilizing opposition to Onassis's deal". Maheu worked, on Niarchos money, with some other FBI agents to produce an analysis on the Onassis-Saudi Arabia contract.⁶⁷ In the meantime it seems that Niarchos and Maheu got hold of Spyridon Catopodis. Apparently there was a falling out between Catopodis and Onassis when Catopodis accused Onassis of breach of their agreement. He prepared a lengthy affidavit in the presence of the British Consul in Nice with a large amount of evidence against Onassis, which among other included the bribes to various Saudi ministers and palace officials and other details of his agreement that exposed the Saudi

⁶⁶ FBI, "Aristotle Onassis", part 4, Bufile 46-17783, Office Memorandum from a. H. Belmont to LV. Boardman, "Visit to Middle East and North Africa by Bureau's Army Liaison Representative", 16 June 1954. The Court at the Hague finally passed an agreement in 1958 in favour of Aramco.

⁶⁷ Ibid.

Arabian government. The affidavit was taken by Maheu to Saudi Arabia where he met the King's adviser and its content was revealed to the Saudis.

Catopodis' affidavit, did not contain its the most significant document, that of his written agreement with Onassis. Catopodis submitted his case to Paris, where the French Judge dismissed the case on the failure of Catopodis to present the agreement. He submitted his case also to the United States in Washington and New York. But as Onassis' lawyers argued, this was an agreement that happened in France by two Greeks; it should have been dismissed immediately in New York and should not be taken to Court. There it dragged on until December 1955, just before the final settlement with Onassis. In the hearings Niarchos was called and questioned and it was revealed officially that he had employed Maheu in connection with the Saudi deal and that Maheu had shown him the Catopodis affidavit. Niarchos refused any other connection with Catopodis and four days later Catopodis dropped the case.

The second action against Onassis was the one that hit him the hardest. It was a tacit worldwide boycott against his tankers; there was nothing official or written on this but "there was no doubt of a concerted boycott operation".⁶⁸ Most of his tankers were in 2-3 years time-charter agreement signed in the early 1950s with the oil companies. Every time a charter expired Onassis found out that it would not be renewed and it would be given to a competitor. By the end of 1955 Onassis had lost from this boycott over \$20 million and half of his fleet was idle.⁶⁹

The third action against Onassis businesses was on his whaling fleet. In November 1954 the Onassis whaling fleet was fishing off Peru. The fleet was attacked by Peruvian naval and air forces and was forced to be led to Paita, a small north of Lima where it was seized. The Peruvian government blamed Onassis that he had fished illegally 2,500 whales in their territorial waters. The issue of Peruvian "territorial waters" was rather shaky and not accepted either by the US or the European countries. It was based on a decree in 1952 signed in Santiago by Chile, Peru and Ecuador to create "a distance of 200 nautical miles from the relevant country's coast... within which area they can exercise military administration and fiscal jurisdiction. The legality of the 200 miles was strongly opposed by the major whale fishing nations Britain and Norway and the United States under whose 'zone' of influence was Peru. But the United States stood "oddly lethargic" when the Peruvians attacked and demanded a fine of \$2.8 million or 57 million

⁶⁸ Fraser, *Onassis*, p. 194.

⁶⁹ *Ibid.*

soles.⁷⁰ Onassis, however, had looked ahead and had included a clause in insuring the fleet and its cargo to the Lloyd's of London that provided for retention by foreign powers and losses. The fine was paid by Lloyd's of London.

Onassis formed his whaling fleet back in 1949 where he invested \$5 million dollars in converting a T2 tanker in a floating factory for the processing of caught whales, the *Olympic Challenger*, and a fleet of twelve corvettes into whale catchers. The entire fleet was under Panamanian and Uruguayan flags companies and flags (see Appendix I). He did so first by “inheriting” the interwar German know-how on whaling and proceeded to organize and operate his newly-acquired whaling fleet with the collaboration of the German crews (500 experienced seamen) through the leadership of a top Norwegian whale hunter who lived in Argentina, Lars Andersen.⁷¹ His crew was further equipped with the highly experienced Norwegian gunners. From the start his whaling venture had been strongly opposed by the Norwegian interests but the the Onassis fleet was able to fish for five consecutive seasons.

After the failed attempt to have his entire whaling fleet confiscated by the Peruvians the next and final blow came from the meeting in November 1955 by International Whaling Commission, an international convention for the regulation of whaling which was formed in December 1946 to "provide for the proper conservation of whale stocks and thus make possible the orderly development of the whaling industry". It was the Norwegian Whaling Association that had orchestrated the ‘Kill’’: it brought photographic and written evidence by Japanese whalers and German crews of Onassis’ fleet to prove that at least half of the whales killed by Onassis ‘ fleet since 1951 were either caught out of season or were below minimum size and that Onassis had acquired a revenue out of this illegal catch of at least \$8.6 million.⁷²

Player II: It is clear that Onassis at this stage wanted to get out of this mess and also wanted a settlement. He was sure the US government wanted a agreement-settlement too as it did with Niarchos who in the meantime had all his charge dropped after paying \$5 million. What he did during this period was to find ways to slip away from the orchestrated attacks from all fronts and find solutions.

⁷⁰ Fraser, *Onassis*, pp. 157-158.

⁷¹ On the Onassis whaling fleet see Basberg Bjorn L., Ringstad Jan Erik, Wexelsen Einar, *Whaling & History. Perspectives on the Evolution of the Industry*, Kommandor Chr. Christensens Hvalfangstmuseum, Sanderfjord, 1993.

⁷² Fraser, *Onassis*, p. 163.

Onassis realized that the Saudi Arabian agreement, had caused such a turmoil under the pressure of the oil companies and the US government that it was extremely difficult to impossible to proceed. However, he did not flinch or even stepped back a bit. He even counterattacked by naming his newly built tanker that he received in the Howaldt Hamburg shipyard after King Saudi I and put up a grand launching in Hamburg with an official delegation from Riyadh. *Ali MMalik Saud Al-Awal* slid its 46,000 tonnage down the slipway in the North Sea Waters despite the embargo against the oil of its own country that it was about to face. The solution to the case was not given either by Onassis or by the Saudis, the American government or Aramco. The Onassis-Saudi Arabia agreement, as I already mentioned was taken to the Court of Hague for arbitration. The Hague gave a decision in favour of Aramco three years later.

On his whaling fleet front he had more loopholes and weaknesses that he could count, so there, he decided to give a permanent solution: to step out of the whaling stage. During this period Costas Gratsos carried out negotiations with the Japanese for the sale of the Onassis whaling fleet.⁷³ The problems of at the third front, the tacit agreement from the oil companies to his tanker fleet was the most acute of all, and the one he was not able to solve himself. It was the Goddess of Luck that helped him this time, through the closure of Suez Canal.

Stage Four: The pay-offs are now determined. ... If the demands can be simultaneously satisfied, then each player gets what he demanded. Otherwise, the payoff to player I is that the threats must be executed.

Both players decided to negotiate a mutually accepted settlement agreement which they reached in December 1954. The Attorney General Herbert Brownwell Jr., a close personal friend of the new Republican president Dwight Eisenhower led the negotiations.⁷⁴ The agreement signed on 21 December 1955 between the United States of America on the one side and the individuals and corporations on the other, settled all pending issues in 27 pages and most

⁷³ see Basberg Bjorn L., Ringstad Jan Erik, Wexelsen Einar, *Whaling & History. Perspectives on the Evolution of the Industry*, Kommandor Chr. Christensens Hvalfangstmuseum, Sanderfjord, 1993.

⁷⁴ It was rather odd however, that Brownwell, as a New York attorney, Brownwell had previously given advice to Greek clients about the Ships Sales Act; one of them had been Manuel Kulukundis who had acquired a number of surplus ships in a manner that was currently under investigation by the Justice Department.

important “The Government hereby releases and forever discharges Aristoteles S. Onassis” and all his companies and collaborators.⁷⁵

In order to reach this agreement where both civil and criminal charges were dropped Onassis pleaded guilty on behalf of six corporations to defrauding the United States Government by illegally placing American ships under foreign Registry. In addition Onassis personally pleaded guilty in United States District court to charges of conspiracy to defraud and making false statements. For the above he paid a \$7 million fine on the top of the price of the vessels purchased. The \$7 million fine was not as bad as it appeared; he deposited only \$1 million upon the signature of the agreement and the rest was to be paid in annual installments over the next years. He had to re-organise his American corporations which was little more than confirmation of the status quo, with the qualifications that the Justice Department rather than Onassis would choose his ‘quiet Americans’. In this way he formed a Trust to his children’s names, Alexander and Christina as they were both born in America and were American citizens. The American Grace National Bank of New York were appointed as Trustees. The Trust took 75% of the companies and he retained the 25% via Ariona. In this way he was allowed to keep his American ships that were bought by the Maritime Commission and were seized was permitted to transfer them to a flag of convenience in return for a commitment to build more ships in America, and operate them under the US flag. By pleading guilty and paying a fine Onassis had all charges dropped. His business edifice otherwise remained untouched. “It was all dressed up to look like a government victory”, recalled Edward J. Ross, Onassis’ lawyer, “but even they knew we had won”.⁷⁶

The “US government vs Onassis” case, from beginning to end, required a most extensive investigation handled by the FBI New York Office with as many as 40 agents assigned and in collaboration with the FBI Washington and Los Angeles offices.⁷⁷ With the case closed the Director of the FBI Edgar Hoover wrote to Warren Burger⁷⁸:

⁷⁵ ⁷⁵ FBI, “Aristotle Onassis”, part 3, Bufile 46-17783, ‘Fraud against the government’, “Final Agreement”, 21, December 1955.

⁷⁶ Fraser, 142.

⁷⁷ FBI, “Aristotle Onassis”, part 3, Bufile 46-17783, ‘Fraud against the government’. Office Memorandum, 1 September 1956.

⁷⁸ Ibid.

January 11, 1956
Honorable Warren E. Burger
Assistant Attorney General
Civil Division
US Department of Justice
Washington, D.C.,

Dear Warren,

I received your memorandum dated January 4, 1956, with enclosed copy of the settlement agreement between the Government and A.S. Onassis and affiliated interests.

It is indeed gratifying to know that the investigative efforts of representatives of this Bureau were so material to the successful termination of this matter. I deeply appreciate your commendatory remarks regarding Special Agent [name erased] and the Special Agents of our New York Office who participated in this investigation, and I am advising them of your thoughtful comments. You may be sure they share in gratitude for your consideration in writing.

Sincerely

Edgar

Epilogue

Onassis knew how to play games. And game theory provided us with the right methodology to identify his mixed strategies in the four stages of his confrontation with the US government. It seems that governments despite their powers do have a problem in dealing with businessmen of an international calibre. More than anything Onassis was a shipowner. To be a shipowner is to have a global view. The game of global chess that Onassis played was in full accordance to what his wife Tina, is reported to have said: "If Ari had been an artist instead of a businessman, he would paint nothing but immense murals".⁷⁹ What the affair U.S. government vs Onassis and the rest of the leading Greek shipowners taught was that the persisting

⁷⁹ Nicholas Fraser, Philip Jacobson, Mark Ottaway, Lewis Chester, *Aristotle Onassis*, Ballantine Books, New York, 1977, p. 165.

protectionist maritime policy of the United States was not friendly to international shipping operators. At the peak of shipping activities and their connections with the oil companies, as Greeks and other operators were turning New York to a new world shipping centre, the euphoria collapsed. In order to keep shipping operators a state had to tolerate international mobility and provide tax-free regime.

As for Onassis, after solving his main problem with the US government, he solved the problems with the rest of his affairs. He sold his whaling fleet to the Japanese at an excellent price, \$8 million; three million above his initial investment. The most important and main problem, that of his laid up tanker fleet, was solved by President Nasser of Egypt who nationalized the Suez Canal in July 1956. This instigated the conflict between Egypt, Israel, France and Britain and closed the Suez Canal. Oil had to be carried around the Cape of Good Hope and the sea routes from 3-4000 miles became 12,000 miles. Demand for tankers rocketed as did the freight rates. Oil companies competed for free tanker tonnage. Onassis with so many tankers laid up had the most available tanker tonnage in the world. The Suez crisis made him an extremely rich man. On his own calculations in the six months the Canal was closed he made \$60 to 70 million on the spot market.⁸⁰

Apart from Monaco Onassi subsequently sought and established close connections with the Greece where he decided to make grand investments. The election of Constantine Karamanlis as Greek Prime Minister stabilized the political climate in Greece and was crucial for the cosmopolitan Greek shipowners that wanted to invest in Greece and acquire political allies in their home country. On the 1st of August 1956 Aristotle Onassis bought the Greek state airlines which he renamed 'Olympic Airlines' investing \$35 million. Ever since to the present day Greece became the home of the central administration of the Onassis' group of companies.

⁸⁰ Ibid, 196.

APPENDIX I
THE ONASSIS MERCHANT FLEET, 1954-1955

NAMESHIP	TYPE	GRT	DWT	BUILT	Built or purchased from	Shipoffice
1. OLYMPIC GAMES	TSH	11298	18150	1948	US-Bethlehem	Newbuilding
2. OLYMPIC SPLENDOUR	TSH	21239	33000	1949	France- Chantiers Navals de La Ciotat	Newbuilding
3. OLYMPIC FLAME	TSH	17722	28385	1949	US-Bethlehem	Newbuilding /Olympic Oil Corp
4. OLYMPIC LAUREL	TSH	17723	28380	1949	US-Bethlehem	Newbuilding /Olympic Oil Corp
5. OLYMPIC STAR	TSH	17722	28358	1949	US-Bethlehem	Newbuilding /Olympic Oil Corp
6. OLYMPIC TORCH	TSH	17724	28350	1949	US-Bethlehem	Newbuilding /Olympic Oil Corp
7. OLYMPIC THUNDER	TSH	17722	28350	1950	US-Bethlehem	Newbuilding /Olympic Oil Corp
8. OLYMPIC LIGHT	TSH	13923	21850	1952	Germany-Howaldtswerke	Newbuilding/Olympic Trasportation Co.
9. OLYMPIC MOUNTAIN	TSH	13660	21850	1953	Germany-Howaldtswerke	Newbuilding
10. TINA ONASSIS	TSH	27850	45020	1953	Germany-Howaldtswerke	Newbuilding
11. OLYMPIC CLOUD	TSH	14000	21850	1953	Germany-Weser	Newbuilding/Olympic Trasportation Co.
12. OLYMPIC BREEZE	TSH	14047	21800	1954	Germany-Weser	Newbuilding
13. OLYMPIC DALE	TSH	13713	21800	1954	Germany-Howaldtswerke	Newbuilding
14. OLYMPIC HILL	TSH	13880	21800	1954	Germany-Howaldtswerke	Newbuilding

NAMESHIP	TYPE	GRT	DWT	BUILT	Built or purchased from	Shipoffice
15. OLYMPIC HONOUR	TSH	20611	33000	1954	France-Ateliers & Chantiers de France	Newbuilding
16. OLYMPIC ICE	TSH	13665	21850	1954	Germany-Howaldtswerke	Newbuilding
17. OLYMPIC LAKE	TSH	13648	21850	1954	Germany-Howaldtswerke	Newbuilding
18. OLYMPIC ROCK	TSH	13665	21800	1954	Germany-Howaldtswerke	Newbuilding
19. OLYMPIC SNOW	TSH	13666	21850	1954	Germany-Howaldtswerke	Newbuilding
20. OLYMPIC STORM	TSH	14047	21850	1954	Germany-Weser	Newbuilding
21. OLYMPIC VALLEY	TSH	14000	21850	1954	Germany-Howaldtswerke	Newbuilding
22. OLYMPIC VALOUR	TSH	20453	31550	1954	France-Ateliers & Chantiers de St. Nazaire	Newbuilding
23. OLYMPIC WIND	TSH	14047	21850	1954	Germany-Weser	Newbuilding
24. AL-MALIK SAUD AL AWAL	TSH	28738	46550	1954	Germany-Howaldtswerke	Newbuilding
25. OLYMPIC BROOK	TSH	13713	21800	1955	Germany-Howaldtswerke	Newbuilding
26. OLYMPIC RAINBOW	TSH	13934	21800	1955	Germany-Weser	Newbuilding
27. OLYMPIC SKY	TSH	14000	21850	1955	Germany-Weser	Newbuilding
28. OLYMPIC SUN	TSH	18790	30000	1955	US- Sun Shipbuilding & Dry Dock Co	Newbuilding
29. GENERAL ARTIGAS	CSH	7040	10820	1943	USMC	Oceanic Transport Corp.
30. GENERAL RIVERA	CSH	7134	10730	1943	USMC	Oceanic Transport Corp.
31. OLYMPIC PIONEER		7216		1944	USMC	Olympic Steamship Co.Inc.
32. ARISTIDIS	CSH	7191	10500	1943	USMC	Sociedad Armadora Aristomenis, Panama S.A.

NAMESHIP	TYPE	GRT	DWT	BUILT	Built or purchased from	Shipoffice
33. ARISTOTELIS	CSH	7244	10500	1943	USMC	Sociedad Armadora Aristomenis, Panama S.A.
34. OLYMPIC MARINER	TSH	10448	16570	1944	USMC	Corrientes Sociedad Maritima S.A.
35. SIRAM	CSH	7146	10500	1942	USMC	Delpa Ltd
36. ALBA		7233		1944	USMC	Extrammar Panama S.A.
37. ARISTON	TSH	10277	15360	1938	Sweden-Götaverken	Sociedad Maritima Miraflores Ltd.
38. ARISTOPHANES	TSH	10244	14500	1940	USMC	Sociedad Maritima Miraflores Ltd.
39. OMIROS	TSH	8627	13625	1927		Sociedad Maritima Miraflores Ltd.
40. FEDERAL	TSH	10599	16460	1944	USMC	Trafalgar S.S. Corp., New York
41. REPUBLIC	TSH	10581	16748	1944	USMC	Trafalgar Steamship Company
42. ARICKAREE	TSH	10532	16460	1943	USMC	United States Petroleum Carriers, Inc.
43. BATTLE ROCK	TSH	10448	16640	1944	USMC	United States Petroleum Carriers, Inc.
44. CAMAS MEADOWS	TSH	10172	16460	1943	USMC	United States Petroleum Carriers, Inc.
45. CAMP NAMANU	TSH	10511	16460	1944	USMC	United States Petroleum Carriers, Inc.
46. FORT BRIDGER	TSH	10172	16460	1944	USMC	United States Petroleum Carriers, Inc.
47. LAKE GEORGE	TSH	10582	16460	1943	USMC	United States Petroleum Carriers, Inc.
48. STONY POINT	TSH	10506	16460	1943	USMC	United States Petroleum Carriers, Inc.
49. AMES VICTORY	CSH	7644	10757	1945	USMC	Victory Carriers Inc., New York

NAMESHIP	TYPE	GRT	DWT	BUILT	Built or purchased from	Shipoffice
50. COE VICTORY	CSH	7643	10757	1945	USMC	Victory Carriers Inc., New York
51. COEUR D' ALENE VICTORY	CSH	7645	10745	1945	USMC	Victory Carriers Inc., New York
52. HEYWOOD BROUN	CSH	7643	10767	1945	USMC	Victory Carriers Inc., New York
53. JEFFERSON CITY VICTORY	CSH	7643	10767	1945	USMC	Victory Carriers Inc., New York
54. LEWIS EMERY JR	CSH	7238	10920	1943	USMC	Victory Carriers Inc., New York
55. LONGVIEW VICTORY	CSH	7639	10745	1945	USMC	Victory Carriers Inc., New York
56. MANKATO VICTORY	CSH	7645	10745	1945	USMC	Victory Carriers Inc., New York
57. NORTHWESTERN VICTORY	CSH	7628	10733	1945	USMC	Victory Carriers Inc., New York
58. MCKITTRICK HILLS	TSH	10521	16539	1944	USMC	Western Tankers Inc., New York
59. MONTEBELLO HILLS	TSH	10521	16539	1944	USMC	Western Tankers Inc., New York
60. WILLIAM A.M. BURDEN	TSH	10642	16656	1943	USMC	Western Tankers Inc., New York

Sources: Gelina Harlaftis and John Theotokas, *Pontoporeia, 1947-2000. Historical Register of Greek-owned Ships*, unpublished database, 2004. *Collected from Lloyd's Register and Greek Shipping Directories, 1946-2000*. Details for the American companies from FBI, "Aristotle Onassis", part 2, Bufile 46-17783, 'Fraud against the government'. New York office 46-2507 report, May 10 1952, <http://vault.fbi.gov/Aristotle%20Onassis>, access 29 September 2008.

Appendix II. The Onassis American companies and ships involved in the “U.S. government vs. Onassis”

Owning Company/ Agenc	Name of ship	Type of ship	grt	dwt	Date of built	Purchased from	Financed by	Chartered to	Seized by the US government
<p>United States Petroleum Carriers, Inc.</p> <p>incorporated under the Laws of the State of Delaware on September 27, 1947</p> <p>Stockholders, Harold G. Bowen, Robert W. Dudley and Robert Berenson</p> <p>Since 1948 were Robert L. Berenson, Clifford N. Carver and Arne C. Storen, Nicholas Cokkinis. In 1952, Robert Berenso, Gerald H. Helmbold, Clifford N. Carver, Nicolas Cokkinis, Augustine t. Barranco, Harold O. Becker and Sociedad Industrial maritima Financiera Ariona, Panama</p>	ARICKA REE	TSH-T2	1053 2	1646 0	194 3	USMC	Chase National Bank	Socony Vacuum Oil Company	New York, 1/4/53
	BATTLE ROCK	TSH-T2	1044 8	1664 0	194 4	USMC	Chase National Bank	Socony Vacuum Oil Company	New York, 27/3/53
	CAMAS MEADOWS	TSH-T2	1017 2	1646 0	194 3	USMC	National City Bank	Socony Vacuum Oil Company	Sold
	CAMP NAMANU	TSH-T2	1051 1	1646 0	194 4	USMC	Chase National Bank	Socony Vacuum Oil Company	New York, 27/3/53
	FORT BRIDGER	TSH-T2	1017 2	1646 0	194 4	USMC	National City Bank	Socony Vacuum Oil Company	Mobile, Alabama, 5/12/55
	LAKE GEORGE	TSH-T2	1058 2	1646 0	194 3	USMC	National City Bank	Socony Vacuum Oil Company	Wilmington, Delaware, 24/3/53
	STONY POINT	TSH-T2	1050 6	1646 0	194 3	USMC	Chase National Bank	Socony Vacuum Oil Company	New York, , 2/4/53
<p>Trafalgar Steamship company</p> <p>incorporated under the Laws of the State of Delaware on 7 December</p>	REPUBLIC	TSH-T2	1058 1	1674 8	194 4	USMC		Transatlantica	Port Arthur, Texas, 23/9/53
	FEDERAL	TSH-T2	1059	1646	194	USMC			Not seized

1950 Its stockholders were USPC, Nicolas Cokkinis, Clifford N. Carver and George Coutsouvelis. The officers were: Robert L. Berenson, Nicolas Cokkinis, Clifford N. Carver, Harlold O. Becker, Elliot Bailen an George Coutsouvelis			9	0	4				
Olympic Whaling Co.S.A.	OLYMPIC CHALLENGER	TSH-T2-CONVERTED WHALING	10448	16576	1943	USMC			Not seized
Pacific Tankers/Western Tankers Inc., New York. Pacific tankers Inc. incorporated under the Laws of the State of Delaware on 10 May 1948 Stockholders and officers: K.D. Dawson, W.T. Sexton, J.W. Parker, S.D. Vechtel, J.A. CCone On 20 January 1949 USPC purchased all of the stock of Pacific Carriers. After the acquisition the officers were as follows: Robert L. Berenson, Nicolas Cokkinis, Harlold O. Becker, Augustine Barranco, Arne C. Storen On Une 12, 1951 the name of Pacific Tankers Incorporated was changed to Western Tankers Incorporated.	MCKITT RICK HILLS	TSH-T2	10521	16539	1944	USMC	National City Bank		Los Angeles, 15/6/53
	MONTEBELLO HILLS	TSH-T2	10521	16539	1944	USMC	National City Bank		Not seized
	WILLIAM A.M. BURDEN	TSH-T2	10642	16656	1943	USMC	National City Bank	Socony Vacuum Oil Company	Not seized
	OLYMPIC GAMES	TSH-T2					National City Bank	Time-chartered to Transatlantica and then to Socony Vacuum Oil Company	Not seized
Victory Carriers Inc., New York	AMES VICTORY	CSH-VICTORY	7644	10757	1945	USMC	National City	Transatlantica	Los Angeles,

incorporated under the Laws of the State of Delaware on 11 December 1948. Its stock was purchased by USPC on 20 May 1949. Board of Directors: Robert L. Berenson, Nicolas Cokkinis, Augustine P. Barranco, Arne C. Storen							Bank		6/8/53
	COE VICTORY	CSH-VICTORY	7643	1075	194	USMC	National City Bank	Transatlantica	San Francisco, 10/8/53
	COEUR D'ALENE VICTORY	CSH-VICTORY	7645	1074	194	USMC	National City Bank	Transatlantica	San Francisco 14/9/53
	HEYWOOD BROWN	CSH-LIBERTY	7643	1076	194	USMC	National City Bank	Transatlantica	Tacoma, Wash., 28/9/55
	JEFFERSON CITY VICTORY	CSH-VICTORY	7643	1076	194	USMC	National City Bank	Transatlantica	Philadelphia, 30/8/53
	LEWIS EMERY JR	CSH-Liberty	7238	1092	194	USMC	National City Bank	Transatlantica	San Francisco, 31/7/53
	LONGVIEW VICTORY	CSH-VICTORY	7639	1074	194	USMC	National City Bank	Transatlantica	Los Angeles, 17/8/53
	MANKATO VICTORY	CSH-VICTORY	7645	1074	194	USMC	National City Bank	Transatlantica	San Francisco, 28/9/53
	NORTHEASTERN VICTORY	CSH-VICTORY	7628	1073	194	USMC	National City Bank	Transatlantica	New York, 6/8/53

Source: FBI, "Aristotle Onassis", part 2, Bufile 46-17783, 'Fraud against the government'. New York office 46-2507 report, May 10 1952, <http://vault.fbi.gov/Aristotle%20Onassis>, access 29 September 2008.