DEPARTMENT OF STATE
WASHINGTON

August 7, 1946

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Greek Economic Mission

1. In January 1946 the Export-Import Bank signed an agreement with Greece for a $25 million loan. At the same time the American Ambassador in Athens delivered to the Greek Government a note that had been approved by you, pointing out the urgent need for the Greek Government to take immediate and energetic measures to solve its economic difficulties.

2. Up to the present time the Greek Government has not used any of the $25 million credit made available to it nearly eight months ago. The information available to the Department indicates that the Greeks have not taken effective measures to deal with their internal financial difficulties, or to make the most effective use of the foreign assets already available to the country.

3. Early in July the Greek Prime Minister indicated to our Ambassador in London that he would like to send a mission to this country to discuss an additional Export-Import Bank loan. The Department, after consultation with the Export-Import Bank, replied that the time was not opportune to discuss a further loan, but that a mission to discuss the general Greek economic and financial situation would be welcomed. Our Ambassador in London conveyed this information to the Greek Prime Minister, and made clear that under present conditions there was no prospect of a new Export-Import Bank loan at this time.

4. The mission, however, in its early conferences with the Department has requested a new Export-Import Bank loan of $175 million, and urged the necessity of such a loan to prevent economic and political collapse.

5. UNRRA to July 31, 1946, provided $293 million of free assistance to Greece, and this assistance by the end of 1946 will total approximately $358 million. The Department,

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after a careful survey of the Greek economic situation, concluded that Greece could meet essential import needs in 1947 if it used effectively the resources at its command, including the $25 million Export-Import loan. The Department did not feel that it was practicable to ask Congress to appropriate additional relief funds for Greece, either through UNRRA or a new organization. This decision has not yet been communicated to the Greek Government, but it is probable that Mr. Clayton will explain our position to Greek representatives at the current UNRRA meeting in Geneva.

6. It is the feeling of the Department that it would be unwise for this Government to commit itself to extend any additional Export-Import Bank credits to Greece until the Greek Government has shown that it is taking the measures within its own power to deal with its economic problems. If Greece does that, an Export-Import Bank loan should be an effective means of furthering reconstruction in Greece, but in the absence of such action I feel that a new loan would do little, if anything, to solve the basic economic or political difficulties of Greece, and would ultimately add to its financial problems. In any event, the Department has been endeavoring to impress upon the Greek mission that the Greek Government cannot expect to obtain additional Export-Import Bank credits until it has demonstrated its willingness to take adequate measures for protecting Greek economy.

7. For your information, there is attached a copy of the note of January 12.

Dean Acheson
Acting Secretary

Enclosure:

Press release.

DEPARTMENT OF STATE

FOR THE PRESS

JANUARY 11, 1946
No. 24

CONFIDENTIAL
FUTURE RELEASE
NOTE DATE

CONFIDENTIAL RELEASE FOR PUBLICATION IN THE MORNING NEWSPAPERS OF SATURDAY, JANUARY 12, 1946, WHICH DO NOT APPEAR ON THE STREETS BEFORE 9:00 P.M., E.S.T., FRIDAY, JANUARY 11, 1946. NOT TO BE PREVIOUSLY PUBLISHED, QUOTED FROM OR USED IN ANY WAY.

In informing the Greek authorities of the approval by the Export-Import Bank of a $25 million loan to the Greek Government, the American Ambassador in Athens is presenting to the Greek Foreign Office today, January 12, the following note:

> The United States Government acknowledges receipt of the letter addressed by Mr. Tsouderos to the Ambassador of the United States in Athens, submitting suggestions for economic aid to Greece.
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> The United States Government is mindful of the important contributions made by Greece to the successful conclusion of the war and sympathetically aware of the tremendous devastation visited on Greece during the period of hostilities. In the face of overwhelming odds Greece exhibited a courage in resistance which served as an example to the liberators who eventually were able to release Europe from enemy domination. The relief provided to Greece through military liaison and the current operations of UNRRA is an effort on the part of the United States along with other Allied countries to demonstrate their grateful recognition of the tremendous sacrifices Greece has made. Further assistance toward reconstruction will be afforded through a $25 million Export-Import Bank loan. By means of this loan Greece will be able to acquire certain essential supplies and equipment.
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> There is a danger, which should not be ignored, that if energetic steps are not taken to improve the present internal economic situation, the assistance from the United States will not produce the lasting benefits that are hoped for. An immediate improvement in the economic situation in Greece should create an atmosphere favorable to the successful holding of national elections. Elections accurately reflecting the wishes of the Greek people should bring about an improved political situation which should contribute substantially to long-run economic recovery and to future stability.

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The severe difficulties which Greece has encountered since liberation can be traced in large part to the

self-sacrificing

self-sacrificing heroism with which the Greek people resisted the common foe. The resulting emergency conditions have prevented successive Greek governments from carrying out effectively the stringent kind of internal economic stability program that is required. The Government of the United States is aware that Greece's burden is a heavy one, but it is convinced that the assistance being extended to Greece can accomplish little toward economic recovery unless the Greek Government itself undertakes rigorous measures to control inflation and to stabilize the currency, to reduce Government expenditures and to augment revenue, to increase the efficiency of the Civil Service Administration, and to revive industry and trade.

The execution of such a program has been the announced intention of several Ministries which have been in power in Greece during recent months but in no case has it been possible for them to pursue such a program to a successful conclusion. It is assumed that the present Government also has under consideration a similar program. The extent of possible further American economic assistance to Greece will necessarily be influenced by the effectiveness with which the Greek Government deals with the problem of economic stabilization.

The United States Government has been advised by the British Government of the latter's proposal now under discussion with the Greek Government to send an Advisory Economic Mission to Greece. In view of the interest which this Government has in the success of the economic stabilization and recovery of Greece, it welcomes this evidence of the desire of the British Government to extend advisory aid to Greece. If Greece should need additional technical assistance, the United States Government would be prepared, upon request of the Greek Government, to make available American technical economic experts to consult on Greek financial and economic programs. The particular qualifications of any experts which might be desired could be determined in consultation between the two Governments, so that they would be best equipped to assist on those problems which are now most urgent in Greece.

The Greek Government can be assured that the United States Government is fully aware of the grave difficulties

which beset Greece. It hopes, however, that the Greek Government, by taking firm action and at the same time being confident of outside assistance, will be able to lead Greece on the road toward economic recovery.

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