

March 3, 1947

BACKGROUND MEMORANDUM ON GREECE

The enemy occupational forces, as they withdrew from Greece in the autumn of 1944, left a country prostrate and demoralized in all aspects of its national life. It was deliberate German policy to destroy Greek economy and to encourage internal factionalism to such an extent that a liberated Greece would have slight prospects of normal recovery in the foreseeable future and would therefore become a liability rather than an asset to the Allies in whose cause it had suffered physical and moral devastation.

Although Greek cities had not been subjected to heavy bombing and although the withdrawing Germans did not blow up the Marathon dam (upon which Athens, swelled by perhaps 500,000 refugees, depended for its very existence), the damage inflicted on the country was sufficient to result in almost complete paralysis. Greece, which in normal times was unable to meet its food requirements without heavy imports, had been kept alive during the war by an Allied relief program (mainly U.S.) which had eventually reached 30,000 tons per month through the blockade, and the extremely tight shipping situation during many months following liberation meant that almost no imports could reach Greece except those essential commodities programed by UNRRA.

During the occupation of Greece many guerrilla groups were organized to harass the Germans. However, personal and political rivalries, of which the occupation authorities took full advantage, led to dissipation of much of their strength in fighting among themselves. The two groups which finally absorbed or destroyed the weaker guerrilla organizations were the Communist-dominated EAM (National Liberation Front) with its army known as ELAS and its smaller Rightist rival EDES under the leadership of General Zervas. For a period of about twelve months (from late 1942 to late 1943) when harmony prevailed among the guerrillas, notable successes were achieved against the Germans, but their political differences could not be adjusted. EAM eventually was instrumental in setting up a Political Committee, or "Government of the Mountains", which negotiated with the Greek Government-in-Exile and succeeded in reaching an agreement, on the eve of liberation, whereby EAM had five ministers in the Government. At about the same time both EAM and EDES signed the "Caserta Agreement" placing themselves under orders of the Greek Government and General Wilson, Allied Commander of the Mediterranean Theatre. By a military decision of the Combined Chiefs of Staff, which was approved by the USSR, the British were assigned sole responsibility for military operations involved in the liberation of Greece. As a result, Allied occupation of Greece was a completely British operation, with the exception of approximately thirty U.S. officers attached to British land forces in Greece for the purpose of assisting to administer the pre-UNRRA civilian relief program.

When the liberation forces entered Greece they found less starvation and superficial devastation than had been expected. However, the results of occupation soon manifested themselves. The retreating Germans had completely destroyed all means of communications: port facilities were wrecked, roads had degenerated into series of potholes, telecommunications were almost non-existent, and 90 percent of the Greek merchant marine (which had totaled 2 million tons before the war) had been sunk. More than 1,000 villages had been burned. Eighty-five percent of the children were tubercular. Livestock, poultry, and draft animals had almost disappeared. In all of Greece, according to one early report, there remained only six locomotives and less than 100 freight cars. Railways had been systematically ripped up, and the Corinth Canal dynamited. The printing presses had been steadily at work, so that inflation mounted steadily until, when the drachma was eventually "stabilized", it was at the astronomical rate of 2 billion to one, thus wiping out all savings.

Irreconcilable differences between the EAM ministers and the other cabinet members soon came to a head over plans for disarming all "irregular" forces, and shots fired during the course of a demonstration on December 3, 1944, set off a civil war in which British troops came to the aid of the government, which, as the legally constituted Government of Greece, Britain was bound to defend. Before the peace terms stipulating ELAS disarmament and plebiscite and elections under Allied supervision within the year had been signed at Varkiza on February 12, 1945, the King had appointed Archbishop Damaskinos as Regent and officially stated that he would not return to Greece until called by a vote of the people.

U.S. interest in the reestablishment of political stability in Greece has been demonstrated by our participation during the past year in two Allied missions conceived in the spirit of the Yalta declaration--one to observe the general elections of March 31, 1946 (U.S.-U.K.-France, with USSR refusing the Greek invitation because it did not approve of "intervening in the internal affairs of another country") and one to observe the revision of Greek electoral lists prior to the plebiscite of September 1, 1946. The first Mission (ANFOGE I) reported that the elections were fair and free, and that they represented the will of the majority of the Greek people, in spite of the organized abstention of the Communist-dominated EAM. The second Mission (ANFOGE II), after having satisfied itself that the revised electoral lists were accurate enough to serve as a basis for consulting the Greek people on important national questions, remained in Greece at the insistence of the Greek Government for an informal observation of polling on the day of the plebiscite. Although there were unquestionably some irregularities and although the Greek Government resorted to some unfair practices in order to influence results, it was felt that the outcome represented the will of the majority of the Greek people, though not to the extent that the official Greek figures indicated. Almost everyone connected with Greek affairs has the considered opinion that, in spite of the previous feelings of the Greek people, the excesses committed by EAM during the civil war of 1944-45 so revolted public opinion that the King's return would have been voted by varying majorities at any time after that date.

Both Allied Missions found that the presence of British troops had practically no effect on the outcome of the two national polls. Instead, the British troops have been a stabilizing influence, and their withdrawal at this time would probably result in such a lack of internal order that the Government could no longer remain master in its own house but would fall victim to an extreme left-wing dictatorship sponsored from outside the country and would probably be unable to prevent the loss of Macedonia, which would combine with Yugoslav Macedonia and the Pirin district of Bulgaria to become an "autonomous" state in a South Slav Union.

There can be no question that the steadily deteriorating economic conditions and worsening of internal order, although augmented by the unenlightened partisan behavior of the dominantly Populist (Royalist) Government, are primarily the responsibility of the Communist-controlled Left movement in Greece. Armed band activities, directed and assisted from outside the country, are part of a master plan to separate Macedonia from Greece and to make untenable any Greek Government not subservient to Soviet aims. Because of its geographic position and the fact that it is the only Balkan country not dominated by the USSR, Greece is the last obstacle in the Soviet path to the Aegean and Eastern Mediterranean. U.S. representatives in Greece have become convinced that the increasing effrontery of Greece's northern neighbors and of EAM (which has assumed responsibility for the present guerrilla fighting by offering the Government a truce with the "democratic army" on EAM's own terms) is an indication of Soviet belief that Greece is a "ripe plum ready to fall into Soviet hands" within a few weeks through lack of support by the Western democracies. Since 1943 Moscow has made intensive efforts to destroy all factions in the Greek Government not amenable to Soviet influence and to establish a concealed form of Soviet power in that country. At no time since Greek liberation has the Soviet press and radio ceased its violent campaign of vilification and distortion, the purpose of which obviously has been to undermine confidence in British and U.S. intentions and actions regarding Greece, to confuse the realities of the Greek situation and to lead international public opinion to a point where, believing EAM to be the only true democrats and EAM opponents to be fascist without exception, it would insist on the removal of British troops and the transfer of power to EAM. In the opinion of veteran U.S. representatives EAM is not a "friend" or ally of the USSR: it is an instrument of Soviet policy.

Three times within the past year (twice by Soviet manoeuvring) the Greek question has figured prominently in the United Nations. In January 1946, apparently to offset the Iranian case, the USSR presented to the Security Council the question of the presence of British troops in Greece. In August 1946 the Ukrainian SSR filed with the Security Council a complaint which, besides commenting unfavorably on the presence of British troops in Greece, accused the Greek Government of systematic frontier incidents and

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propaganda against Albania in order to obtain Albanian territory and alleged Greek persecution of minorities in Macedonia, Thrace, and Epirus. A Soviet-sponsored resolution condemning Greece was rejected by a vote of 9 to 2. The U.S. resolution calling for investigation of both sides of Greece's northern frontiers failed to pass because of a Soviet veto.

Early in December the Greek Government filed a complaint with the Security Council which stated that a situation had been created which was "leading to friction between Greece and her neighbors" by reason of the fact that Albania, Yugoslavia and Bulgaria were "lending their support to the violent guerrilla warfare now being waged in Northern Greece against public order and the territorial integrity" of Greece. After some days of debate along predictable lines, the Council adopted a U.S. resolution establishing a Commission of Investigation to examine the facts in all four countries and to make any proposals deemed wise for averting a repetition of border violations and disturbances in these areas. The Commission has been in Greece since the end of January and, in spite of Soviet stalling tactics and the obvious Soviet desire to remain in Athens in order to prove the contention that the Greek Government is solely responsible for disturbed conditions in Greece, is now holding hearings in Salonika preparatory to proceeding to the border areas. Although the Communist-directed guerrilla bands in Greece will continue their activities in order to lend color to the claim of EAM, the USSR, and Soviet-dominated satellites that present lawlessness is a spontaneous revolt of the "democratic people" against a "monarcho-fascist" government, the presence of the Commission should discourage assistance to the armed bands from across the borders, and it appears to be the opinion of the majority of the Commission that the investigation should result in the establishment of a semi-permanent frontier commission with police powers.

The economic and financial situation of Greece, bad enough at any time since liberation, has now become critical with the cessation of UNRRA. Greece's import-export trade had barely made a start before the present internal political conditions and the relations with her northern neighbors reached a virtual crisis. The continued political unrest and physical disorganization of the country have proved seriously obstructive to the revival of economic activity. Ineffectual and timorous governments have been either unwilling or unable, in the absence of internal tranquility and whole-hearted cooperation of political leaders or the majority of the Greek people, to institute the unpleasantly drastic reforms which both the U.S. and the U.K. have counseled. The drachma has twice been stabilized, but the most recent experiment of March 1946 holds little promise of permanence. In an attempt to inspire confidence in the currency the Greek Government has embarked on a disastrous program of across-the-counter sales of gold; this, combined with reckless and unsystematic licensing of foreign exchange transactions, has resulted in an almost complete exhaustion of Greece's foreign exchange resources. Inefficiency and mismanagement have up to now prevented the country from receiving maximum benefit from U.S. credits already extended to Greece: \$25 million from the Export-Import Bank;

\$55 million for the purchase of foreign surplus property; and approximately \$45 million for the purchase of ships from the Maritime Commission. This whole background of economic and financial chaos, coupled with the close of the UNRRA program, occasioned urgent but vague and exaggerated appeals from the Greek Government to the U.S. for financial assistance. As a result of discussions in Paris between Secretary Byrnes and Prime Minister Tsaldaris, the Government despatched to Greece early in January an Economic Mission headed by Paul A. Porter to recommend to the Greek Government means for the more effective utilization of its own resources as well as to report on the kind and amount of outside assistance needed to reconstruct Greek economy. Reports from Ambassador Porter have confirmed the opinion of other observers that Greece is on the verge of runaway inflation and financial collapse.

Coincidental with alarming U.S. reports from Greece and as a result of highest level considerations in the British Government concerning British capabilities with regard to Greece and Turkey, two notes dated February 21 were presented to the Department by the British Ambassador on February 24. These notes pointed out the grave consequences which would ensue if Greece and Turkey were to fall under Soviet domination and hoped that in view of the British inability to continue financial assistance to these two countries, the U.S. would be willing to take over the major responsibility for the military and civilian needs which must be financed from abroad.

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L. A. [unclear]