Department of State

The Under Secretary

May 12, 1948

To: Mr. Eben Ayers

Attached is the final draft of the President's third quarterly report on Greek-Turkish aid.

This draft has all internal clearances except that of Mr. Lovett, which is being obtained concurrent with your clearance.

John Miles

[Signature]

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Letter of Transmittal:

The third quarterly report on United States aid to Greece and Turkey, covering the period from the inception of the program to March 31, 1949, is submitted herewith.

When the United States responded to the requests of Greece and Turkey last year the integrity of both countries was seriously threatened. The economy of Greece was war-ravaged, prostrated. The country was bereft with turmoil caused by armed minorities. Turkey was under extreme pressure from the Soviet Union and her resources were insufficient to continue the maintenance of the abnormally large security forces made necessary by the circumstances. Today the situation remains critical. But one encouraging fact stands out. In a year that has seen other European countries come under communist domination, Greece and Turkey remain free.
While their people face adversity, they have the right to work out their own destinies in their own way. They enjoy personal liberty guaranteed by law, freedom from government suppression, opportunity to earn a livelihood in occupations of their own choice and a sense of personal dignity. It is a tribute to the steadfastness and character of the peoples of Greece and Turkey that they have successfully maintained their independence and institutions against pressure and aggression. These peoples are holding the line of freedom with the assistance of the United States.
The story of United States aid to Greece can be told in three phases. These successive stages show just how far we have come. Quite naturally our first efforts were largely devoted to planning and preparation. It was a big assignment, and the time was short. Concerted efforts were made at once to begin the flow of supplies under the program. Next came the crisis period. Here it was our job to assist the Greeks in stemming the bitter tide of opposition. For some time the tempo of guerrilla action increased rather than subsided. The number of refugees fleeing the countryside for the relative safety of the villages and cities mounted steadily. Here we discovered that the furnishing of military assistance was even more important than we had anticipated. Funds originally earmarked for economic purposes had to be diverted to build up the Greek National Army.

Today,
Today, in the third phase of development, the military situation remains critical and of first importance. Security has not been won and the number of refugees continues to increase. However, there is a basis for considerable improvement. Encouraging factors are to be found in improved army morale, formation of national defense battalions which will free the Greek National Army for offensive campaigns, arrival of substantial additional quantities of military equipment under the aid program, and the resulting successful military actions of the past few weeks. The current economic picture in Greece remains poor. It is characterized by strong inflationary pressures, retarded production, and delays in reconstruction. But measures have been taken which have kept Greece on its feet and which will pay increasing dividends in the months ahead.
The Turkey aid program, devised to enable the modernization of the Turkish military establishment, is proceeding according to plan. Arrival of aid equipment in increased quantities has reinforced the already high morale of the Turkish Armed Forces, and the adaptability of the Turkish soldier to modern mechanical equipment is indicated by the success of the training program being conducted by the United States military mission. The program is having the desired effect of increasing Turkish ability to resist external aggression, which will be strengthened even further by increased shipments of air, ground, naval, and road equipment in the months ahead.

Of great importance is the authorization under Title 3 of Public Law 452 of $275 million for continued military assistance to Greece and Turkey during the period from April 1, 1948 to June 30, 1949. It provides concrete assurance to the people of Greece and Turkey that we mean to stand by them until their security is firmly established, and paves the way for the full participation of these countries in the European Recovery Program.
As the third phase of our aid to beleaguered Greece and Turkey comes to a close, it is apparent that our efforts thus far have met with limited but measurable success. While the problems are still grave, they are by no means insurmountable. We stand today in an interval of hope where, with reserved optimism, we can look forward to the eventual attainment of our objective—to help the peoples of Greece and Turkey retain their independence and achieve genuine economic and political stability within the family of democratic nations.

Introduction:

[Insert outline map of Europe with NEP countries shaded, here]

When assistance to Greece and Turkey was authorized last year, the Government of the United States responded to a grave situation that imperiled the integrity of these two countries and involved the fundamental interests and the security of the American people. The following report sets forth the problems encountered, the measures adopted for dealing with them, and the progress made to date.
The nature of the problems in Greece and Turkey are as
notable for their differences as they are for their similarities.
Greece was ravaged by the war in which Turkey did not participate
directly. Greece is economically feeble and militarily weak,
while Turkey by comparison is strong. Greece is torn by internal
strife that has not affected her neighbor. These countries have,
however, many similarities. Both are strategically located
on the eastern Mediterranean. Both have land frontiers bounded
by communist dominated countries. Both are confronted by the
same threat—the loss of their independences through direct or
indirect communist aggression.

It is this common threat to Greece and Turkey which made
United States military assistance imperative. In recognition of
this, the Congress, on May 23, 1947 enacted Public Law 58 author-
izing the United States to render financial, technical, and
material aid to the Governments of Greece and Turkey in the amount
of $400 million. This appropriation provided for military assistance
to Turkey and both military and economic assistance to Greece. The
$275 million recently authorized for continued aid to Greece and
Turkey during the period from April 1, 1948 to June 30, 1949, will
be used for military purposes exclusively. United States economic
aid for these countries will be through the European Recovery
Program.
It is planned that funds made available to Greece under the European Recovery Program will at least for the time being be administered through the American Mission for aid to Greece in substantially the same way as funds for economic assistance now being rendered under Public Law 75. Thus the Greek Government will continue to receive economic as well as military assistance through the American Mission.

Essentially, the recovery of Greece is dependent upon the total Greek effort. While this country is supplying substantial amounts of supplies and equipment the more important role of United States aid is that of the advisory mission in helping to stabilize the economy and social structure of the Greek nation.

In the first place, therefore, it is the function of the American Mission for aid to Greece to administer the aid program so as to encourage all elements in the Greek economy which can in any way influence recovery. Secondly, the Mission is concerned in providing United States advisory and technical skills to achieve maximum benefits from the money spent. Examples are found in the assistance given in overhauling the social security system, the civil service structure, and tax laws; the organization of government ministries, methods of exchange and trade controls, and budgetary operations. In fact, the American Mission has made available skilled assistance with respect to the efficient functioning of almost every phase of the Greek economy.
While progress is being made in stabilizing the economy of Greece, the situation remains critical. Such factors as inflation, wasted capital, the burden of supporting refugees and evacuees, and general fears arising from unstable conditions continue to retard the economic recovery of the country.

The military situation still is of first importance. Armed bands continue to molest the populace and disrupt the nation's efforts at reconstruction. However, recent successes of the Greek National Army, improved morale, and formation of defense battalions which will permit the Greek Army increasingly to go on the offensive, are expected to improve the situation materially. The continuance of United States military assistance, which clearly shows United States determination to see that the Greek nation remains free, has bolstered Greek morale and it is hoped will further discourage guerrilla resistance.
In Turkey the program continues uninterrupted. Plans and facilities for the training of Turkish soldiers in the use of new equipment being provided under the aid program assure the ready absorption of this equipment directly into defense use. The quiet self-confidence and competence of the Turkish military establishment are a stabilizing influence in this troubled area of the world, and it is assured that United States technical and material aid will under the program be put to the best use in the interest of world peace.
CIVIL AID PROGRAM

E. D. MILITARY ADVISOR

The program of American military and naval assistance to Greece has developed substantially during the last quarter of the period under review. The military and naval advisory groups of the American Mission have been more fully staffed and have perfected their working relationships with the Greek Government and Armed Forces. Deliveries of equipment and supplies to the Greek Armed Forces have reached large proportions during the last quarter, and more successful operations against the guerrillas are proof of the newly attained strength of the Greek Forces.

The military and naval advisory groups of the American Mission now consist of the Joint United States Military Advisory and Planning Group, the U. S. Army Group and the U. S. Navy Group. The Military Advisory and Planning Group was established on December 31, 1947, and continues to work with the Greek Army Command and General Staff on the overall strategic and tactical planning of operations against the guerrillas.

The Director of the Planning Group, who holds the rank of Lieutenant General, is responsible to the Chief of Mission, and on purely military matters to the U. S. Joint Chiefs of Staff. For all the military and naval advisory work of the Mission. He is
also head of the U. S. Army Group, which has the working responsibility for the ground and air supply and training programs. The Director of the Planning Group attends the meetings of the Greek Higher Military Council and is a member of the Greek Supreme National Defense Council. The personnel of these advisory groups of the Mission supervises the flow of military and naval equipment and supplies into Greece under the Aid Program, advises the Greek Armed Forces on matters of supply and training, and gives operational advice to the Greek Army down to the divisional level. Although United States officers of the Military Planning Group accompany operational units of the Greek Forces, they neither participate in combat nor command Greek troops. The United States has no combat troops in Greece. The presently authorized total strength of the military and naval advisory groups, including civilian personnel, is as follows:

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<tr>
<th>Military Advisory and Planning Group</th>
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<tr>
<td>U. S. Army Group</td>
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<td>U. S. Navy Group</td>
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<td><strong>Total</strong></td>
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British Service Missions and Troops in Greece.

The British Armed Forces are represented in Greece both by advisory missions and by troops.

The advisory missions are the British Military, Naval, and Air Missions, which advise with respect to the organisation and training of the regular Greek Forces, and the British Police and Prisons Mission, which advises on the organisation of the civil police and Gendarmes, and on the administration of prisons.

These missions have been active in Greece for most of the period since the liberation of Greece from German occupation in 1944. Prior to the inception of American aid to Greece, the British missions were engaged in a military supply program, as well as organisational and training work.

British financial and supply assistance to the Greek Armed Forces was substantial during that period. Direct British assistance to Greece since the liberation in 1944 is estimated at $____ million (153.5 millions) aside from an expenditure of $____ million (164.5 millions) for the maintenance of British troops in Greece. Since May 25, 1947 - the date of approval of the Greek-Turkish aid act - the overseas military supply responsibility has been carried solely by the American Mission for Aid to Greece.
The British service missions work in close cooperation with the military and naval staff of the American Mission for aid to Greece in matters of common interest. Their organizational and training work complements the work of the American Mission.

The presence and work in Greece of the British service missions contribute greatly to the furtherance of the purposes of the American aid program.

British troops in Greece number a few thousands. Their function is separate from that of the British service missions. Since December 1946, when they helped suppress a communist-inspired insurrection, they have not participated in military operations, although during 1945 they assisted the Genareral and Police in such unsettled areas as Macedonia. However, their presence in Greece continues to exert a stabilizing influence and serves as a deterrent to invasion.
British troops were invited to enter and continue operations in Greece by the Greek Government. The first agreement on this subject was entered into at Cassabta in September 1944. Later in 1944, when King George delegated his authority as head of state to Archbishop Damaskinos as Regent, the latter authorised the presence of the British forces and expressed his nation’s gratitude for the services the British forces had rendered. In January 1945, the Sophocles Government formally affirmed that the British forces were present in Greece upon the invitation of the Greek Government, and this has been reaffirmed by subsequent Greek governments.
Progress of the Military Aid Program.

In order to prepare the Greek Armed Forces for their task of destroying the rebel guerrilla forces and eliminating the communist menace to the political stability and national integrity of Greece, the Greek Government, in consultation with the American and British advisory groups, has taken a number of steps with respect to the size, disposition, equipment, and organization of the Greek Forces. The Greek National Army, the present permanent strength of which is 134,000 men, having been increased from 100,000 since has recently been authorized to increase its numbers temporarily to a total of 145,000 men. The National Defense Corps has been brought virtually to its full authorized strength of 40,000 men and dispersed throughout the provinces of Greece to provide a static defense of towns, villages, and installations and to free the Greek National Army for mobile offensive operations.
Certain deficiencies in the organization and equipment of the Greek Army which prevented its being a well-balanced force have been for the most part remedied. By the end of March the Mission had delivered to the Greek forces more than 14,000 tons of ordnance supplies worth $7.5 million dollars. Since the arrival of the first ordnance cargo under the Mission program last August, more than 2,000 vehicles, 73,000 weapons of all types, and 7,000 tons of ammunition have been supplied to the Greek Army. Included are machine guns, sub-machine guns, mortars, rifles, trucks, tractors, wrecks, and various ordnance tools. Also, a considerable number of 61 millimeter mortars and 75 millimeter pack howitzers ordered from U.S. Army stocks was expected to arrive shortly. These are in addition to other weapons supplied to Greece by the British Military Mission prior to the arrival of the American Mission.
Ordinance officers of the Mission's U. S. Army Group, in addition to handling all ordnance supply matters, have given technical advice on maintenance, repair, and manufacture of items in Greek Army ordnance workshops.

Complete agreement as the command organization of the Army and the independent powers of the Greek General Staff has paved the way for efficient planning and operations and made possible the promotion to high rank of able officers who had distinguished themselves in military leadership.

During the period under review, the Greek Forces struck telling blows against the guerrillas, such as the notable success in the Pireas-Olympus battle, which resulted in the killing or capturing of 1,155 bandits; which constituted the main strength of the guerrilla concentration in that area.
The Greek Air Force, which has made a major contribution to the Greek military effort, has now been augmented by the furnishing of a substantial number of additional training, reconnaissance, and combat planes under the aid program. The reconstruction and improvement of air fields to permit all-weather operation has increased the Air Force striking power. Flight training in the United States is being provided to fifty Greek Air Force cadets.

The limited need for naval operations in the war against the guerrillas has not prevented the Greek Navy from playing an important part in the struggle. The Greek Navy continues to patrol the extensive Greek coast line to restrict the guerrillas' freedom of movement. It also furnishes transport facilities, operates assault craft for amphibious raids, and furnishes naval gunfire support for land operations. The Greek Navy's mine sweeping activities have also increased the safety of ships entering Greek ports. The Greek Navy now includes the six new gunboats provided under the Aid Program, which are manned by Greek crews trained in the United States.
During the quarter just ended, the flow of necessary
supplies for subsistence and maintenance of the Greek Forces
was kept at an adequate level and the delivery of the
military equipment to complete the preparation of the Greek
Forces for offensive action was largely accomplished.

Total aid rendered under military and naval programs up to
________ was as follows for the categories of assistance
indicated:
Although not all the American equipment to be provided under the aid program has arrived, the deliveries which have already been made placed the Greek Army in a position of great superiority over the guerrillas. Comparative casualties in the major engagements to date have provided conclusive evidence of the inferior fire power of the guerrillas. One of the primary reasons for the previous limited military operations by the Greek Army has been the wide dispersion of its forces which prevented effective concentration for offensive action. This condition no longer exists.

Impressive evidence of direct foreign aid to the Greek guerrillas has accumulated and continues to be uncovered and released to the press by the United Nations Special Committee on the Balkans, which has its headquarters at Salonika. The Committee's report on the shelling of Salonika in early February revealed the Committee's conviction that "the military equipment used in the operation came from Yugoslav in the autumn of 1943 and the winter of 1944-45." This shelling incident resulted in the death and injury of several civilians.

The United Nations' observer teams have also collected eye witness evidence of foreign involvement in the guerrilla warfare, such as the observation on March 29 of six vehicles in Albania moving up...
to a Greek guerrilla position on the only supply road open
as that area to the guerrillas, and the observation on April 1 of the
firing of tracer bullets from different positions in Albania
into Greece for a period of about an hour. These two
incidents are merely examples of the increasing and considerable
evidence now in the records of the United Nations' Commission.
They confirm previous evidence assembled through the activities
of other United Nations' bodies indicating defiance of the
United Nations General Assembly's resolution of October 22, 1947,
calling upon Albania, Bulgaria, and Yugoslavia "to do nothing which
could furnish aid and assistance to the said guerrillas." Other
forms of open encouragement, such as the formation of "Committees
for Aid to Partisans" in each of these countries, which render
financial assistance and conduct propaganda campaigns, are
abundant.

The Economic Situation

Greek economic recovery continues to be retarded by the
general insecurity and uncertainty. Lack of confidence in the
Greek currency and in the economic future of the country continues
to retard investment and trade, and to aggravate the demand for
gold and foreign currencies for hoarding. Prices have continued
to rise, largely as a result of great demands for gold, the price
of which tends to serve as the basis for the establishment
of commodity prices and wages throughout the country.

(See graphs: francs per dollar and francs for sovereigns)

A few months ago the public demand for gold tended to be sporadic with
the greatest volume occurring during and immediately following
large guerrilla operations. Now the demand is relatively
constant and has driven the value of the gold sovereign upward
from 256,000 francs at the end of last year to 271,000 francs
on March 31, 1948. So persistent has been the demand for gold that
on two occasions during the quarter from January to March, 1948,
the American Mission felt it necessary to approve the Greek
Government's request to convert gold bullion held in its account
in New York into sovereigns for sale to the Greek public. This
was considered an essential anti-inflationary measure to
stabilize the price of the sovereign and therefore to counteract
the rise in the cost of living, at a time when further economic
disturbance would affect seriously the general security of the
country.
Graph of Commodity Prices

The inflationary pressures remained very strong during the period under review. As estimated by the Mission, the commodity price index for twenty commodities on the Athens Free Market rose from 135 on December 31, 1947 (March 1947 = 100) to 197 as of March 31, 1948. It is hoped that favorable military developments and the Mission's accelerated import program will counteract these trends until the longer range stabilizing forces which have been set in motion can turn the tide.

The Mission's index of food prices in the Athens area has risen from 205 as of December 31, 1947 (1938 = 1) to 276 as of March 31, 1948, while the clothing index had gone from 271 to 379. It seems probable that even greater proportionate increases occurred outside the Athens-Frinas area where the supply situation is less favorable and the flow less regular. Rents, however, are holding rather constant because of the effectiveness of rent control measures.

A balanced national budget for the fifteen months period ending June 30, 1948, was prepared in close collaboration between the Greek Government and the Mission. Of the budgetary measures adopted, this has proved to be the major cause of inflation in Greece since the end of the last war.
necessarily set by printing additional currency, thereby
contributing to inflation. The Government has, through
adhering to a balanced budget during the first quarter of 1948,
been able to reduce the volume of currency in circulation from
970 billion drachmas on December 31, 1947, to 870 billion
drachmas on March 31, 1948. (gross volume of drachma currency
in circulation)

Considerably more success has been achieved in agricultural
production than in industrial output. Despite the obstacles of
inadequate equipment, a shortage of work animals and transportation
difficulties, the Greek farmers have succeeded in planting about
65 per cent of normal wheat acreage for the 1948 crop. Some
land, of course, cannot be farmed because of guerrilla activities.
Agricultural supplies and equipment made available to Greek
farmers through the American aid program have been an important
factor in the production prospects.

Industrial production is presently at a rate below that
prevailing the end of last year. Whereas the rate of production
in October of 1947 was estimated by the Mission to be about 75 per
cent of the 1939 level, it is currently below 70 per cent for the
nation as a whole. In the Athens-Piraeus area production probably
does not exceed 65 per cent of prewar.
A major problem presently confronting Greece is that of distribution of necessary civilian supplies to the rural areas. Through American aid, the total volume of supplies reaching the country is believed to be adequate to meet the minimal needs. However, the transportation system, however, is still only partially in operation following wartime damage, while in some areas guerrilla activity hampers normal movement. The Government is attempting to meet this difficult situation through the distribution of supplies by truck, but in some remote areas shortages of various goods exist which creates human misery and leads to soaring prices for the goods available. In order to counteract the high prices and to assure some degree of equitable distribution, as many food items as possible will be sold on an issue or ration basis throughout Greece and special efforts are being made to effect distribution in areas difficult of access.

The number of refugees from guerrilla operations continues to increase. Numbering about 830,000 on December 31, 1947, the total has since risen to 217,000, even though the Government and the Mission have sought to reduce the number by preventing new arrivals and by urging many back to their farms and village homes. These refugees constitute a heavy financial drain on the Greek treasury, amounting
to about 300 billion drachmas for the quarter, but even more important is the loss of their productive efforts on their farms and in their homes or businesses.

The United States Contribution Towards Economic Stability, and the Role of the Mission

The recovery of Greece cannot be expected to result from United States assistance alone, however important that assistance may be, but only from the total Greek effort. United States aid should be considered in the light of its contribution toward stabilization of the entire economy and social structure of Greece, and not merely in terms of goods supplied and reconstruction work completed.

It is the objective of American economic aid to help stabilize the Greek economy by alleviating the strain imposed by the necessity of maintaining large military forces and at the same time assisting in the reconstruction of war and occupation damage and the provision of the minimum essential civilian supplies from abroad.

The Greek Government in its request for aid, asked for both financial and technical assistance, and stated that in order to survive, Greece must have among other things, "The aid of experienced American administrative, economic and technical personnel to assure the utilization in an effective and up-to-date manner of
of the financial and other assistance given to Greece, to help to restore a healthy condition in the domestic economy and public administration and to teach the young people of Greece to assume their responsibilities in a reconstructed economy.

In the aid agreement between the Government of the United States and the Government of Greece it was stipulated that a United States mission would provide such advisory assistance and would exercise such functions as might prove necessary in assisting the Government of Greece to make the most effective use of help furnished by the United States and of Greece's own resources. Within these terms, the American mission, in administering aid funds, has taken into consideration all factors that influence recovery. A significant United States contribution in the aid program is that of advisory and technical skill to help in the revitalization and reestablishment of Greece's economic life and social institutions which were so thoroughly disrupted during the war.
The mission has made every effort to assist the Greek Government in establishing a balanced national budget and institute a sound fiscal policy. A budget review process has been established in which every expenditure item is carefully scrutinized to ensure that the expenditure of Greek resources will be confined to items of first importance in the recovery of Greece. Assistance has been given in the marshalling of exchange resources and in helping the Government of Greece in devising means of augmenting them. Advice and counsel have been given on exchange controls, and the "Certificate Plan" was devised to better enable Greek exporters to compete in world markets.

The mission collaborated with various ministries of the Greek Government in drafting legislation to enable the repatriation of foreign exchange owned by Greek shipping.

Involves, legal and technical assistance has been given in revising the tax structure and tax collection system. Considerable assistance was given in the drafting of the recently enacted law requiring maintenance by business organizations of standardized accounting records in order that the Government may determine business profits for taxation purposes.

Previously, Greek business concerns have not maintained
accounting records as commonly understood in this country
and the government has been obliged to levy taxes arbitrarily
on the presumed capacity to pay. The new legislation should
considerably increase income from this source. Further
efforts to increase revenues are under study by Mission
personnel working in cooperation with the Greek Government.
The Greek tariff structure is under review, and operating practices
in the customs houses are being appraised.

The Greek government and the Mission have sought to
improve the banking system and develop a sound credit policy
through a new credit control bill presented to the Parliament
and recently enacted into law. The new law provides for
centralization of authority over banking operations in the
Currency Committee, which will establish loan standards and
adjust the flow of bank credits to the requirements of Greek
production, and will have the power to control interest rates
and reserve requirements.

Endnotes
A committee of Greek, American and British economic specialists
which has responsibility for the control of the issuance of
Greek currency and the use of Greek foreign exchange, as well as
for the formulating banking and credit policies.
United States trade experts have led missions to Germany in an effort to restore, at least in some measure, trade with Germany which before the war was so important in the Greek economy. An agreement signed with United States occupation authorities provides for the sale of Greek tobacco, olive oil, and minerals against purchases of German industrial and chemical items.

Another major step was that of advising, with the Greek Government and through appropriate consultation with members of Greek industry, an overall import program which would assure that only the highest priority goods would be imported. A Foreign Trade Administration, headed by an American in the employ of the Greek Government, has been created to control all imports and to coordinate the import program with foreign exchange availability.

Concurrent with these measures was the work of specialists and engineers in surveying the needs and planning for work immediately necessary to reconstruction and rehabilitation.

The Mission apportioned aid funds to these projects which would yield the maximum benefit in terms of stabilization of the Greek economic structure. From time to time the Mission has found it necessary to reappropriate aid funds in order to take
into account shifting needs and exigencies. Early in the program it was found necessary to augment the import program as an anti-inflationary measure, and later a shift from the economic to the military program was necessitated by the security situation. The current apportionment of funds is given in chart __________ included in the appendix.

U.S. supply assistance to Greece under the aid program is of two general types: goods procured via U.S. Government procurement channels and goods provided through private trade channels but financed with aid funds.

U.S. Government procured items, are for the most part food items which are in short supply and under allocation or are goods intended for use in the Mission's reconstruction and rehabilitation activities. Goods flowing through private trade channels and financed with aid funds are paid for in advance in drachmas by Greek importers. Aid funds in this instance are used to augment the meager Greek earnings of dollar exchange enabling the import of goods vital to the civilian economy.
The Greek proceeds of imports financed by American aid are deposited in the Bank of Greece and used for various reconstruction and rehabilitation programs as agreed to by the Mission and the Greek Government. It is these funds which defray the local costs of labor and materials used in carrying out the reconstruction work of the Mission.

(Grades are budget either here or in appendix)

Improvements in the Greek Government Administration

The effort towards stabilization and rehabilitation of the Greek economy of necessity extends beyond purely economic fields. During the several years of war, occupation and internal strife, the Greeks experienced the systematic disruption of their social institutions and administrative machinery. Governmental functions were dislocated, education was neglected, public health efforts were severely curtailed, new social legislation and advancement were rendered impossible, and labor organizations were disrupted. Without constructive action in these various fields, there can be no sound basis for Greek recovery.
The Mission is assisting the Greek Government in a number of projects designed to improve the efficiency of governmental machinery. Of considerable importance has been the work toward decentralization of government functions which heretofore have been unduly concentrated in Athens. Meetings of a Joint Greek-American Council of Governmental Organization have been held in major cities of the country and wide interest and participation from sources in all walks of life have been encouraged and obtained.

The Mission has been engaged in surveying various Greek Ministries at the request of the Greek Government. These surveys emphasize the question of proper allocation of functions among and within the Ministries and are not concerned with minor changes in internal organizational structure. In appraising each function, its value in terms of its contribution to military security and the national economy is used as a criterion. The basic consideration underlying every recommendation for change is that Greece as an economically impoverished country must limit its governmental expenses to the absolute minimum. At the present time surveys have been completed, and where necessary enabling legislation for reforms drafted, with the assistance of the Mission, by the Ministries of Interior, Public Works, National
The Mission has devoted considerable effort to improving the
current supply distribution system, and has participated in the
drafting of legislation for the reorganization of the Ministry
of Supply to eliminate jurisdictional overlaps and complications
introduced in the present structure. Recommendations have been
made on ocean transportation problems and establishment of
adequate port controls. Health officers of the Mission are
engaged in surveying the Ministry of Hygiene, while Mission
transportation specialists are surveying the Ministry of
Navigable Waters. Other assistance in the field of Civil
Government has been made available in surveys of the wage and
position systems, drafting of a comprehensive civil service
law providing a uniform system of personnel administration,
and preparation of a comprehensive civil service training
program.

Recognizing the urgent need for Greece to reestablish
training facilities suspended during the war period and to
broaden the base of specialized knowledge in various fields,
the Mission has offered assistance and encouragement wherever
possible. The long period of occupation and continued internal

strife, the large numbers of displaced persons and critical housing situation, the necessity for supporting a large military establishment and the general improvement of the country have all had an adverse effect upon educational opportunities and facilities. As referred to in various sections of this report, the Mission has cooperated with the Government of Greece in establishing specialised training programs in those fields which most urgently require improved Greek skills.

**Health Program**

The Mission's Public Health Division has made a significant contribution to Greek welfare. With the approach of the wet season, the Mission has been making every effort to expedite the malaria control program. Because the great increase in refugees and substantial population shifts resulting from military action increases the hazards from disease and epidemics, many precautionary measures have been necessary. The Mission has aided the Greek Government in drafting legislation to provide for unified tuberculosis control, and assistance is being given in providing tuberculosis control education and X-ray training for select personnel of the Ministry of Hygiene. An immunization program for the control of diphtheria, typhoid fever, smallpox and typhus is under way.
Assistance is also being given in the distribution and effective use of health supplies on hand and a procurement program has been drafted to supply X-ray and other specialized equipment essential to a well-rounded health program. Field inspection trips have been made and assistance given in problems peculiar to each province. The Greeks are being encouraged to establish health training programs which will assure adequate numbers of nurses and other specialists for the future.

Labor

Greek labor developments in the first quarter of 1948 have been featured by (1) formal steps towards repeal of the drastic anti-strike law of December 7, 1947; (2) convocation of a national Congress by the Greek Confederation of Labor; (3) the persistence of demands for wage adjustments in the light of continuing inflationary pressures; (4) American assistance in improving the administration of Greek social security legislation and operation; and (5) American interest and assistance in rehabilitative industrial training schools and other programs designed to provide skilled workers for the reconstruction effort.
1. Repeal of the Anti-Strike Law

An important step towards repeal of the anti-strike law of December 7, 1967 (see Second Report to Congress) was taken on April 1, 1968, when a repeal decree was proposed for approval by the Parliamentary Commission. This action was designed to coincide with the National Labor Congress in fulfillment of a promise made by the Greek Government during February to leaders of the Greek Confederation of Labor. Amendment of the anti-strike law, when it finally takes place, will be an expression of the Government's confidence in the loyalty and sense of responsibility of the leadership and rank-and-file of Greek Labor. It should also indicate to public opinion in Greece and elsewhere that the Greek Government, despite the reverses it faces, is determined to maintain essential democratic liberties to the fullest measure compatible with national safety.

2. The Greek Labor Congress

A new phase in the development of the Greek Labor movement has begun with the holding of the Greek Labor Congress, which met at Piraeus March 26 to April 11. Although factionalism and incompetence in Parliamentary practice combined to limit the achievements of the Congress, Greece stands out as the only Eastern European country where a free labor conference is permitted. The full
results of the Congress, particularly the composition of the National Executive elected to guide the Greek labor movement, are not available at this time. But there is every reason to hope for the development of a labor movement comprised of all loyal, non-communist elements effectively united in support of the national reconstruction effort.

3. The Wage Issue

With only a few exceptions, the national wage pattern established in the nation-wide collective agreements of November, 1946, has been maintained until the present, despite a continuing increase in the cost of living. Negotiation of the agreements, which, according to their terms, is to be undertaken in the near future, will provide a further test of the ability of Greek industry and labor, assisted by the Government and the Mission, to reach agreement on questions of vital concern to the workers and the nation. Labor representatives can be expected to seek either a wage increase adjusted to the rising cost of living or effective controls over prices and distribution of essential foodstuffs to assure continuance of existing living standards.
Social Security Administration

The administration of social security in Greece touches not only the welfare of Greek citizens, but the entire economic, fiscal and administrative structure of the country. The destruction of social insurance reserves by successive inflationary waves, the imposition of a welter of "special" and "third-party" taxes and levies to support particular welfare activities, and the complexity of the administrative apparatus have combined to hamper Greek trade and industry while failing to provide real social benefits. The importance of this problem to Greek economic revival was recognized last year by a team of experts sent to Athens by the International Labor Organization at the joint request of the Greek Government and the Confederation of Labor. Two American social security experts have now been attached to the Mission on a temporary basis to review the existing structure and make recommendations for its improvement. Their work, if successful, will contribute effectively to the rehabilitation of the Greek economy and the welfare of the Greek people.
5. Training Skilled Workers

It is now evident that a serious shortage of skilled workers, resulting largely from the disorganization of training facilities during the war and occupation, may seriously hamper Greek industrial progress once economic reconstruction gets into stride. In order to anticipate the needs which will then arise, it is necessary to begin now to provide industrial training. There are in existence basic facilities which can be placed in operation, with outside help and internal reorganization, within a fairly short time. Recognizing the need for skilled workers, the Mission will soon be sending to Greece an American specialist in vocational and apprentice training, who will advise Greek Government agencies, industrial organizations, and training institutions in this field. Given the existing shortage of skills, and the fact that industrial and occupational training is now at a standstill, such advice can make a much needed contribution to the Greek recovery effort.

Relief and Welfare

The number of refugees from military action has continued to increase, although at a lower rate than in the previous quarter.

(Graph of number of refugees)
A recent development in the communists' tactics for inducing chaos is their widely announced program of taking Greek children to other countries for "protection and education." Apprehension resulting from these actions has swollen the number of refugees and caused the diversion, to some extent, of military energy to the transport and protection of children by the Greek National Army. This vicious threat has been successful in its calculated effect of increasing the burden of social dislocation and public financial relief.

During the last quarter of the period under review, it became necessary to finance with Greek Aid Funds the continuation of the food supply program previously financed by the United States' Foreign Relief Program under Public Law 61, as funds under the latter became exhausted.
During the first quarter of 1945 approximately $31,000,000 in food was ordered through U. S. Government procurement facilities of which $21,900,000 worth was actually shipped to Greece with aid funds. These shipments included 86,000 long tons of wheat, 20,000 tons of flour, 7,000 tons of peas and beans and 1,000 tons of spaghetti and macaroni. In addition nearly $4,000,000 worth of foodstuffs was financed with aid funds and procured through private aid channels. These amounts are in addition to the $36,645,000 worth of foodstuffs previously shipped to Greece under Public Law 81. A full report of activity under this program has been made in the "Second Report to Congress on the United States Foreign Relief Program."

With improvements in the general security situation which are anticipated as a result of favorable military developments and the activation of National Defense Corps battalions to protect villages, it is hoped that many of the refugees can be returned to their homes or resettled in areas where they can contribute to, rather than be a strain upon, the country's economy.
AGRICULTURE

Recovery of Greek agriculture, which is by far the most important segment of the country's economy, has been hampered by continued guerrilla activity. Insecurity has made it difficult or impossible to continue agricultural pursuits in many sectors, and the number of refugees from agricultural areas has increased materially. However, the more productive areas fortunately have been less seriously affected than those which normally do not produce enough even for local consumption.

Displacement of substantial numbers of the farm population, the forced migration of livestock, and the loss of the use of pasture lands in mountainous regions, and other unfavorable developments have all had an adverse effect on the agricultural outlook for the current year. Yet the situation is not without its encouraging aspects. The Greek farmer has succeeded in planting about 97 percent of last year's acreage and 65 percent of the prewar normal. If good weather conditions continue for the rest of the season it is estimated that the total production of bread grains will be about 700,000 metric tons, 10 percent above last year's production.
The efforts of the Mission to extend areas under cultivation and increase productivity have provided encouraging results. Work being carried on under agreements between the Ministry of Agriculture and the Mission in the fields of irrigation, drainage, well-drilling and soil conservation is progressing satisfactorily. Of the more than 100 irrigation and drainage projects, only five have had to be discontinued because of the security situations; all other projects are expected to be completed on schedule. This work is being carried on in the most productive agricultural regions. More than 100,000 acres of land in the northern part of Greece already have been materially benefited by drainage projects.

The well-drilling program is moving ahead rapidly. The Mission has been successful in placing drilling rigs in operation in various parts of the country, and the training of Greeks in the use of these rigs is underway. The program will leave the Greeks with both equipment and the technical skill to carry on the important work of developing water resources.

A number of agreements have been negotiated by the Mission.
A number of agreements have been negotiated by the Mission with the Greek Government regarding the utilisation of drachma funds resulting from imports of agricultural implements and equipment financed with foreign exchange supplied under the aid program. These funds, the budget for which is given in Appendix, are being utilised for purposes which will make the greatest contribution to agricultural improvement. Farm machinery repair shops are being established, and shop personnel are being trained. The work which is being done includes the establishment of demonstration centers and the provision of training in this field as a means of increasing crop yields and productivity.

The Mission has assisted in planning the reorganisation of the Veterinary and Livestock Divisions of the Greek Ministry of Agriculture. A livestock and veterinary program has been planned and an agreement entered into provides the basis for the control of animal diseases. Dipping vats, rural clinics, testing laboratories and quarantine stations are being installed.
Expansion of the Greek fishing industry and establishment of the means for effective marketing and distribution of fishery products have been undertaken by the Mission. Experiments in refrigeration on the larger fishing vessels, conducted in collaboration with the fishing industry and the Greek Government, have been highly successful. Development of this innovation in Greek fishing will enable ships to stay out until fully laden, and permit the exploitation of waters heretofore unexploited because of the distance from markets. As the development work in extending fishing proceeds, planning also is being done to establish refrigeration in marketing centers and for inland transportation, thereby enabling the Greek fishing industry to make a real contribution to the adequacy of food.
Reconstruction

Original plans of the American Mission for Aid to Greece contemplated the expenditure of about 50 million for the reconstruction of transportation and communication facilities in Greece, for the supply of a limited amount of materials for housing, the restoration of irrigation and reclamation works, and assistance in increasing industrial and mineral production. While the total needs for these purposes were far greater than could be provided for by aid funds, even as originally programmed, the amount earmarked was considered sufficient to meet the most pressing rehabilitation requirements for those projects which could be implemented during the course of the first year.

Because of increased requirements of the Greek Armed Forces and the necessity for importing larger quantities of food and consumer goods, the reconstruction program was of necessity scaled down to about one-half the original amount of dollars. The internal drachma costs are being financed by the proceeds from the sale of consumer goods shipped to Greece under the Aid Program. Table___ of the appendix to this report shows the dollar and drachma amounts presently budgeted for reconstruction.
Work on transportation facilities is being carried out in Greece by American engineering-management firms under the direction of the Army Corps of Engineers. The firms subcontract with Greek organizations to the fullest practicable extent, using Greek non-technical labor alongside. There are at present 7,500 Greek laborers and other personnel employed on reconstruction projects, while American personnel employed by the Corps of Engineers and American firms number 500.

The transportation projects are to some extent geographically concentrated. With respect to railroads, the accompanying map reveals that in two instances, near Gravina and Eglina, a series of destroyed bridges and tunnels are located in close proximity. Major line breaks on the State-owned railway system near Gravina are all in a ten-mile sector. A third major area where bridge reconstruction is under way is west of Salônica, where there are several destroyed bridges within a 25 mile radius of Flaki. The most advanced of the bridge projects is the Corinthian Bridge, which is nearly half completed. The most advanced of the tunnel projects is the Evia Tunnel, which is one-fifth complete.
In addition to those railway projects being constructed by American firms, the Corps of Engineers will supervise and furnish some materials and technical assistance for nineteen projects undertaken by the State-owned railway system. These projects include the construction of sixteen bridges, one tunnel, a new station, and security installations at vital points. The work is progressing rapidly, having been completed on many projects.

The highway program includes twelve major projects which ultimately will cover some 1,000 miles of trunk highways connecting the most important cities. In terms of mileage, the road program is now about 150 complete, in addition to which a great amount of preliminary work on other sections has been completed. A summary of road repair work to date, in miles, is given below:

<table>
<thead>
<tr>
<th>Area</th>
<th>Specifying and Estimating</th>
<th>Surfacing, Leveling and Reinforcement Work</th>
<th>Shoulders and Guarding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athens</td>
<td>45</td>
<td>62</td>
<td>77</td>
</tr>
<tr>
<td>Solonka</td>
<td>63</td>
<td>51</td>
<td>40</td>
</tr>
<tr>
<td>Larion</td>
<td>73</td>
<td>56</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>181</td>
<td>169</td>
<td>154</td>
</tr>
</tbody>
</table>
Considerable progress has been made in the restoration of the ports of Pireaus and Salonika, and work at the Port of Volos has recently begun following extensive surveys and planning.

At Pireaus, 1,400 cubic meters of rubble have been removed from the drydock alone, and nearly 20,000 cubic meters have been excavated from quay areas. Virtually all of the debris, which heretofore has prevented the berthing of deep draft vessels and made stripping a costly operation, has now been cleared. Construction work is now proceeding rapidly.

At Salonika, the removal of debris and the replacement of quay walls is well advanced, and 11,000 cubic meters of core rock has been placed in the breakwater to repair damages.

Clearance of the Corinth Canal is now about one-half completed, and will be finished by the end of June. The excavation involves some 900,000 cubic yards of earth blasted into the Canal by retreating Germans, and the removal of wreckage of destroyed bridges and rolling stock. Approaches for new permanent bridges across the Canal are being constructed, and bridge steel is being fabricated in the United States.
The Mission has found it necessary to undertake the improvement, or
wintertizing, of the runways at six Greek airports for use in military
operations as well as by civil aircraft. Two of these airport
projects have been virtually completed, and three are about one-half
completed.

In addition to these projects being carried out by American
engineering firms, a considerable amount of reconstruction work is
being supervised by the engineers of the Mission in cooperation
with various Greek Ministries under "project agreements" entered into
by the Mission and the Greek Government. The projects are classified
in table___ of the appendix with an indication as to the number of
dollars and drachmas to be spent for each. Present plans contemplate
the expenditures from Public Law 75 funds of $2 million for housing and
$2,000,000 for industry and mining.
The $2 million allotted for housing will be spent for building materials which are not available locally. Lumber valued at more than $1,717,000 has been ordered from Canada and Sweden and partial deliveries have been made. $20,000 worth of plumbing supplies and tools have been ordered from the United States, actual shipments amounting to about one-half of that amount. In addition, $1 million from the sale of old goods has been allocated to the housing program to cover internal costs of materials and labor. At present 5,700 persons are employed in housing construction. First priority is being given to the repair of existing buildings for the accommodation of refugees, although the bulk of the funds will be spent for the repair or construction of new permanent housing. Virtually all of the temporary housing for refugees and about 66% of the permanent construction program has been completed at the end of the quarter under review.

The present building program includes repairs to some 74 damaged schools, which will be equipped with about 25,000 benches. The lack of adequate school buildings has hitherto seriously retarded Greek education.
Some 3,800 million drachmas, derived from the proceeds of aid funds, have thus far been expended for the expansion of the water supply system in the Athens-Piraeus area. Additional funds for this program will be raised through increased rates to consumers, and it is expected that the project will be completed in about 15 months. The Mission also has undertaken, in collaboration with the Greek Government, the installation and improvement of sewers in industrial sections of the Athens-Piraeus area.

The American Mission has set aside 615 million drachmas for the construction of new laboratories, an ammunition warehouse and other essential buildings, and a power sub-station sponsored by the Ministry of Merchant Marine to enable the proper handling of naval supplies. These various projects range in degree of completion from 10 to 50 percent.
The $3,600,000 allotted under the reconstruction program for industry and mining is being used in the development of natural resources and the industrial capacity of Greece. The funds are being expended for equipment, materials and supplies obtainable only from overseas sources.

In addition, the Mission has established a fund of $3 million drachmas for loans to Greek industry to cover internal expenditures for these purposes. The drachmas funds are derived from the sale of old goods, and are deposited in the Greek National Mortgage Bank for secured loans as directed by a board composed of bank directors and Government Ministers with general guidance by the Mission. Additional drachmas received from industrialists in return for old dollars used for imports by them under the industry program, as well as from the repayment of loans, will accrue to the special account for use in augmenting the loan facilities.

The Industry and Mining Division of the Mission has continued in various other ways to facilitate Greek production. Several studies of Greek mining potentialities are in progress, particular emphasis being given to the development of lignite as a substitute for imported fuels, sprit, pyrites, magnesite, manganese and gold. The Greek steel industry is being assisted in a program designed to expand production to 70,000 tons a year from locally available scrap. The Mission has assisted the Government in locating in Germany steel-making equipment needed for this production expansion, and negotiations are now being conducted for obtaining the equipment on German reparations.
TURKISH AID

As shipments of United States equipment under the Turkish Aid Program began to move in volume, the American Mission for Aid to Turkey reported considerable progress in assisting the Turkish Government to prepare effectively for use of the equipment.

With the assistance of the Army Group of the American Mission, training courses were accelerated for the Turkish ground forces in methods of depot supply and operation and methods of distribution. This is resulting in improved procedures and a wider acquaintance among the Turkish forces with the American supply methods, which is facilitating the handling of the cargoes upon their receipt in Turkey.

United States supply officers organized a general depot supply course to train Turkish Army personnel in receiving, storing, and accounting for aid supplies. Twenty-one members of the Turkish ground forces are studying military installations in the United States. In addition, the Army Group cooperated with the Turkish Army in revising its military school.
school system and in reversing the technical and training
manuals. March deliveries of ground force equipment include
98% of the equipment needed for the 1948 training program.

Plans for a medical instruction program prepared by
the Mission Surgeon in cooperation with the medical inspector
of the Turkish Army were completed near the end of the quar-
ter and actual instruction is expected to begin soon. The
medical courses to be given are designed to acquaint Turkish
military surgeons with the latest practices and procedures of
combat surgery. The Turkish government made available a
modern building adjoining one of Ankara’s leading hospitals
for use as an instructional institution and necessary altera-
tions were started immediately to permit the implementation
of the medical program at the earliest possible date.

Air Force instruction courses advanced from the preparatory
to the operational stage during the quarter. Instruction sites
were selected and Turkish instructors were assigned, with
American officers and enlisted men from the Air Force Group
of the Mission serving in an advisory capacity. This instruc-
tion is now being conducted in seven different schools, and
includes communications, field engineering, pilot training,
and maintenance. The deliveries of training planes to Turkey facilitated the progress of this program. The Air Force Group is cooperating with the Army Group in the development of adequate port, depot, and distribution facilities.

The training of 70 Turkish naval officers and enlisted men in various United States naval service schools continued during the quarter. A few candidates had completed these courses by the end of the quarter and returned to Turkey to operate and maintain equipment being supplied under the Naval Program. At the quarter's end, 77 Turkish officers and enlisted men were approaching completion of their instruction in Norfolk and New London in preparation for the scheduled transfer of naval vessels which they will man. The underway phase of their training at the Atlantic Fleet Underway Training Unit was completed.

The Navy Group of the American Mission continued conversations with Turkish naval officers relative to the details of naval training courses, the location of naval schools, the content of courses, the number of students, and other factors essential to the development of an adequate naval training program.
The authorized and actual strength of the military and naval groups of the Nine Ion, including civilian personnel, were as follows at the quarter's end:

<table>
<thead>
<tr>
<th></th>
<th>Authorized</th>
<th>Actual</th>
</tr>
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<tbody>
<tr>
<td>Army Group</td>
<td>135</td>
<td>90</td>
</tr>
<tr>
<td>Air Force Group</td>
<td>120</td>
<td>64</td>
</tr>
<tr>
<td>Navy Group</td>
<td>60</td>
<td>29</td>
</tr>
</tbody>
</table>

The total of all cargo to be shipped by ocean transport under the Turkish Aid Program is estimated at 200,000 measurement tons. Of this total, roughly 125 had been shipped from United States ports of embarkation by the end of March. In addition to these deliveries, numerous aircraft have been flown in from the European Theatre. However, supply schedules provided for a rapid acceleration so that shipments from May through September are expected to average between 40,000 and 50,000 tons per month. This rate represents the minimum capacity of the receiving Turkish ports. Ninety per cent of the fiscal year 1948 program will have been delivered by the end of September. The shipment of certain items under the 1949 fiscal year program will begin in the summer months and before the completion of shipments under the first year's program.
The Public Roads Group of the Mission, which is led by engineers from the staff of the United States Public Roads Administration, continued to work in close cooperation with the Turkish Ministry of Public Works in the preparation of highway improvement plans and in the initiation of several projects. A number of Turkish nationals completed their training in the use of American road equipment and became available for the operation of machines on construction projects of high military priority.

The equipment operator training program was given added impetus during the latter part of the quarter when 54 Turkish Army personnel were assigned to the school for instruction in accordance with an agreement between the Turkish General Staff and the Ministry of Public Works. This close cooperation between the General Staff and the Ministry of Public Works on the utilization of a limited number of Turkish Army personnel in road construction work has virtually assured the training of an adequate number of operators for all of the road equipment in order under the present year's program.
Three military priority road construction projects were
initiated during the quarter, one from Adana south towards
the sea, one from Toprakkale to Reyhanli and one from
Istanbul north on the road to Bursa. Additional construc-
tion and improvement projects on strategic highways will be
begun as rapidly as receipt of equipment from the United
States permits. All program funds for the highway improve-
ment program are being used exclusively for the purchase of
United States equipment and to cover salaries and expenses
of the staff of American road experts, while all other costs
including local labor and materials are being met by the
Turkish Government. The importance attached to this road
program by the Turkish Government is tangibly indicated by
the increase in appropriations for roads in the current year's
budget of more than 300 per cent of the amount appropriated
for this purpose in past years. The total personnel of the
Public Roads group of the Mission amounted to 25 at the quarter's
end.