

INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS

TELEGRAPH BRANCH

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Control 8397
Rec'd November 29, 1947
7:13 p.m.

FROM: Athens
TO: Secretary of State
NO: 2060, November 29, 6 p.m.

Tsaldaris asked Griswold and me call on him November 25. He began conversation by expressing deep concern over whole situation in Greece. Said it strikes him that things are moving much too slowly; by the time recommendations are made and acted upon measures too often prove inadequate. Speaking frankly he said many actions seem to be taken without full knowledge their implications or ramifications. Cited this connection question balancing of budget which while necessary must be done with due regard inter-relationship of various factors. Also expressed concern over limited powers Griswold saying that when they first met in Washington and he learned that Griswold would be made "High Commissioner" with full powers over aid program he was at first concerned as a Greek that any one man should be given such authority in his country but after thinking matter over had reached conclusion that only thus could situation be saved. In practice, however, it seemed this has not been case and not only has Griswold only limited authority make decisions but his recommendations are not promptly approved by Washington. Gave as example inability of AMAG after two weeks effort to obtain decision re exchange of napoleons for sovereigns. Further example delay was long time consumed in obtaining approval recommendation give operational advice Greek Army and still further delay in implementation decision.

Tsaldaris then went on discuss seriousness gold situation. Said Greeks, if absence consumers goods for purchase, put available money into gold, only commodity in which they have faith. This causing increase in price gold coins and consequent increase in prices. Said "orthodox" economists evidently unable understand situation in Greece which is entirely unorthodox. Gold is bought and sold here as commodity. People not only demand gold but they demand one kind of gold--sovereigns--and one kind of sovereign "the old lady," (meaning Victoria sovereigns). In reply

Griswold's

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E.O. 12065, Sec. 3-402
State Dept. Guideline, June 12, 1979
By NLT: AK NARS, Date 10-20-80



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-2- #2060, November 29, 6 p.m. from Athens

Griswold's question whether Greeks might not accept napoleons or five dollar gold pieces Tsaldaris replied in negative since both these coins sell at discount in spite of having relative higher gold content. He expressed opinion that if Greece had adequate supply sovereigns on hand mere announcement by Griswold of this fact would force down gold price and hence commodity prices, with stabilizing effect all along line. Recalled how following announcement Truman Doctrine price gold sovereign dropped in two weeks from 144 to 120 thousand (MYTEL 424, March 22). An announcement of banks ability sell gold now would have similar effect and it might not be necessary actually sell many coins. As in case given above gold buyers queues would be converted into sellers queues. Said perhaps orthodox economists correct in contending that it is unsound sell gold to support currency and keep prices down but they fail take into account psychology Greek people. Added he would be glad if someone would suggest a method of enabling Greek Govt recapture several million sovereigns in hands public but no one has proposed any workable solution. Griswold interposed to ask if banks napoleons changed for sovereigns might this supply not be sufficient three or four months during which other remedies (increase of imports, etc.) might become operative. Tsaldaris estimated these might last two or three months and while helpful emphasized this only stop-gap measure. Real solution, he said, is to have sufficient gold in reserve to reassure people so they may turn thoughts from gold to consumer goods, which must then be made available for purchase. Referred to gold which guarantees Greek ten million dollar loan in New York and suggested that if this could be freed, its availability would give stability to drachma, end gold speculation and bring prices down. In reply Griswold's question whether wealthy Greeks might not be induced take up cover this loan Tsaldaris replied there was not slightest chance.

Turning to military situation as example of how interrelated and complicated things in Greece can be, Foreign Minister said that guerrillas have cut communications between Athens, Patras and Yanina and unless order could promptly be restored in Pelopponesus effect would be widespread and might be disastrous. Pelopponesus is "sacred homeland" of Greece where war of independence began and was won, whence have always come Greece's best fighters.

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-3- #2060, November 29, 6 p.m. from Athens

If these fighters in north learn that their homeland in flames their morale will be shattered and will to fight destroyed.

Foreign Minister then turned to larger aspect Greek problem and speaking, he said, not as Greek or Cabinet member but as world citizen, declared that in his opinion US stake in Greece is much bigger than Greece itself and entails future of western civilization. Neither US nor Greece can afford to fail. It behooves us therefore to act energetically and with greatest speed to meet actualities of situation. It appeared he said that aid to Greece has been apportioned and frozen, so much for military, relief, reconstruction, etc., whereas realities of situation called for more flexibility and prompt access to additional funds if required. Conditions have worsened in Greece since original aid voted due to deteriorating military situation, bad wheat crop, growing refugee problem and higher prices of commodities in world market. Griswold, he thought, should have fund of ten million or so dollars to use where most needed without protracted negotiations and discussion between him and Washington, and more funds must be found to meet needs unforeseen when aid voted. Again saying he was not thinking of Greece alone, he begged us to act before it is too late.

Griswold explained to Foreign Minister the legal and technical limitations involved and stated that unless Congress should vote more funds situation here must be faced with funds available. Everyone, he said, is doing his best to face up to complicated and difficult problems and will continue to do so.

In terminating, Tsaldaris repeated that everything points to necessity for speed if situation is to be met squarely. Things in his opinion are moving much too slowly and if present govt cannot succeed in solving urgent problems it will have to give way with all consequences that entails.

While it is patent that Greeks themselves have failed produce kind of speed they ask of US, Embassy feels Tsaldaris has pointed up desirability of facing realistically situation as it has developed and will develop and overriding necessity of reaching and implementing decision as quickly as humanly possible. Case in point is question

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-4- #2060, November 29, 6 p.m. from Athens

exchange of napoleons for sovereigns discussed in AMAG 542, November 26, so as to have at least this amount on hand in form that it could be immediately used in an emergency. Embassy strongly endorses views expressed that telegram and urges immediate approval. Also, for US to guarantee Federal Reserve loan so as to release its gold cover and exchange latter for sovereigns might be cheap way of forestalling runaway inflation here with all that would be entailed detrimental our own national interests. Time is of the essence and, as Griswold states in REFTEL, we must buy time until army begins really to march.

As immediate practical measures toward speeding up operations, Embassy recommends that Griswold be given broader powers to make on spot decisions, that matters necessarily referred to Washington be treated more urgently, and that all problems be viewed by Department in their proper relationships. It is not, for example, helpful and seems wholly unrealistic to say that provision for unforeseen refugee problem must come out of Greek budget (Department memo dated October 28 of conversation with Tsaldaris) when AMAG fiscal advisers say that nothing more can come out of budget without immediate danger of inflation. Such problems must be coordinated.

Embassy has frequently pointed out that our thinking must transcend limited circumstances of original aid program if we are not again to suffer consequences of "too little and too late." This has been recognized in military field by decision give military advice to Greek Army even though general situation has deteriorated during two months it took to reach decision and will probably deteriorate still further before decision can be implemented.

So that all the fine work that has already been done and funds already available may yield maximum results, it is Embassy's considered opinion that all elements situation should be immediately reviewed and coordinated and all necessary steps promptly taken.

This telegram shown to Griswold who concurs.

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