BACKGROUND INFORMATION ON GREECE

The enemy occupation 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 could have little prospect of normal recovery in the foreseeable future and would therefore become a liability rather than an asset to the Allies in whose name it had suffered physical and moral devastation.

Although Greek cities had not been subjected to heavy bombing and although the airlifting Germans did not blow up the Corinthian gulf (upon which Athens, swelling by perhaps 200,000 refugees, depended for its very existence), the damage inflicted on the country was sufficient to recall 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 25,000 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 through essential commodities procured by OSS.

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 smaller guerrilla organizations were the Communist-dominated EAM (National Liberation Front) with its army known as ELAS and the smaller Nationalist rival EFE under the leadership of General Kermes. For a period of about twelve months (from late 1944 to late 1945) when harmony prevailed among the guerrillas, notable successes were scored against the Germans, but their political differences could not be adjusted. ELAS eventually won instrumental in setting up a Political Committee, or "Government of the Assembly", which negotiated with the Greek government-in-exile and succeeded in reaching an agreement, on the eve of liberation, whereby ELAS and five ministers of the government. At about the same time both EAM and EFE signed the "Caserta Agreement" placing themselves under orders of the Greek Government and General Alimos, Allied Commander of the Mediterranean Theater. 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 in administering the pre-OMMA civilian relief program.
Then the liberation forces entered Greece; they found less destruction and superficial devastation than had been expected. However, the results of occupation soon manifested themselves. The retreating Germans had completely destroyed all areas of communications; ports facilities were wrecked, roads had disappeared into series of pot-holes, telecommunication were almost non-existent, and 90 per cent 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 homeless, destitute, many sick 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 crooks was temporarily "stabilized," it was at the astronomical rate of 2 billion to one, thus siphoning 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 bound to defend. Before the peace terms stipulating Nazi disarmament and plebiscite and elections under Allied supervision within the year had been signed at Wartime on February 12, 1945, the King had appointed troubleshooter Chairman of the 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 her participation during the past year in the allied missions conceived in the spirit of the Yalta declaration—one to observe the general elections of March 15, 1946 (U.S.-N.A.-France, with USSR refusing the Greek invitation because it did not approve of "interfering in the internal affairs of another country") and one to observe the revision of Greek electoral lists prior to the plebiscite of September 14, 1946. The first mission (APPROX 1) 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 (APPROX 2), 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 reported 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 outcome was a result of the EAM during the civil war of 1944-45 so revived public opinion that the King's return would have been voted by varying majorities at any time after that date.
Both allied nations 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 in power. The same fate could result in an extreme-leftist dictatorship sponsored from outside the country and would probably be unable to prevent the loss of Macedonia, which would combine with Yugoslavia. Macedon and the Pirin district of Bulgaria to become an autonomous state in the South Slav union.

There can be no question that the steadily deteriorating economic conditions and worsening of internal order, although augmented by the unenlightened portion of the demoralized population, 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 that subsequitally to Soviet aims. Because of its geographical position and the fact that it is the only Balkan country not dominated by the USSR, Greece is the last bulwark in the Soviet path to the Aegean and Eastern Mediterranean. E.A. representatives in Greece have become convinced that the increasing pressure on Greece’s northern neighbors and of NATO (which has assumed responsibility for the present guerrilla fighting by offering the government a truce with the “democratic army” and E.A.P.’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 Greece has made intensive efforts to destroy all factions in the Greek government not amenable to Soviet influence and to establish a concordat form of Soviet power in the 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 E.A. intentions and actions regarding Greece, to confuse the realities of the Greek situation and to lend international public opinion to a point where, believing E.A. to be the only true democrats and E.A.P. opponents to be fascist without exception, it would insist on the removal of British troops and the transfer of power to E.A. In the opinion of Western diplomatists and representatives, E.A. 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 maneuvering) the Greek question has figured prominently in the United States. In January 1946, apparently to affect the British vote, the USSR presented to the Security Council the question of the presence of British troops in Greece. In August and November 1946, the United States presented the question of the removal of British troops to the Security Council. The complaints, besides concerning adversely on the presence of British troops in Greece, accused the Greek Government of systematic frontier incidents and
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 1. The U.N. resolution calling for investigation of both sides of Greece's northern frontier 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 "forcing" 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.N. 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 hostility tactics and the obvious Soviet desire to remain in Athens in order to try the contention that the Greek Government was 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 still continue their activities in order to lend color to the claims of E.G.R., the U.N.S.R., and Soviet-dominated satellites that present disturbances are a spontaneous revolt of the "democratic people" against a "fascist" government, the prestige of the Commission should discourage assistance to the guerrilla 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 creation of E.G.R.S. 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. Inefficient 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 unprecedented drastic reforms which both the E.G.R. and the U.N.S.R. have demanded. The currency has been stabilized, but the most recent report of March 1946 made little promises of permanence. In an attempt to inspire confidence in the currency the Greek Government has embarked on a disastrous program of overseas-the-counter sales of goods, combined with reckless and unseemly licensing of foreign exchange transactions, that resulted in an almost complete exhaustion of Greece's foreign exchange resources. Insufficiency and mismanagement have up to now prevented the country from realizing maximum benefit from U.N.S.R. credits already extended to Greece ($25 million from the Export-Import Bank).
$55 million for the purchase of foreign surplus property; and approxi-
mately $45 million for the purchase of ships from the American Commision. This whole background of economic and financial change, coupled with the
slow progress of the U.S.I.A. program, occasioned urgent but vague and unenlightened
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 Tsouderos, 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 the war resources,
as well as to report on the kind and amount of outside assistance needed
to reconstruct Greek economy. Reports from Ambassador Porter have con-
firmed the opinion of other observers that Greece is on the verge of run-
away inflation and financial collapse.

Coincidentally with arriving 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 23 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 civil needs which must be financed
from abroad.