BACKGROUND SITUATION IN GREECE

March 9, 1947

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 could 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 submitted to heavy bombing and although the retreating German did not blow up the Marathon dam (upon which Athens, enabled 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 blockades, and the extremely tight shipping situation during many months following liberation meant that almost no imports could reach Greece except those essential commodities provided by U.S. and British forces.

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 dissatisfaction of many of them 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 the smaller rightist rival EDES under the leadership of General Xerxes. For a period of about twelve months (from late 1943 to late 1945) 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 Occupied", which negotiated with the Greek government-in-exile and succeeded in reaching an agreement, on the eve of liberation, whereby EAM and five ministers in the government. At about the same time both EAM and EDES signed the "Greece Agreement", placing themselves under orders of the Greek Government and General Allen, Allied Commander of the Mediterranean Forces. By a military decision of the Combined Chiefs of Staff, which was approved by the U.S., 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-OSSA civilian relief program.
then the liberation forces entered Greece they found lessstruction
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; port facilities were
ereected, roads had disappeared into series of potholes, telecommunication
were almost nonexistent, 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 hungry, sickly, and swarthy; and cattle animals had almost dis-
appeared. 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 un-
til, then the currency was enzymatically "stabilized" at 3 at the astronomical
rate of 3 billion to one, thus siphoning all earnings.

Irreconcilable differences between the EAM ministers and the other
ministerial members soon came to a head over plans for disarming all "irregulars"
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 Nazi disarmament
and plebiscite and elections under Allied supervision within the year had
been signed at Yalta on February 4, 1945, the King had appointed inter-
ministerial commission to represent and officially stated that he would not return
to Greece until called by a vote of the people.

U.N. interest in the restoration of political stability in Greece
had been demonstrated by our participation during the past year in the Allied
missions conceived in the spirit of the Yalta Declaration—five of which
the general elections of March 11, 1946 (U.N.E.F. troops, with EAM refusing
the British invitation because it did not approve of "interference in the
internal affairs of another country") and one to observe the revision of Greek
electoral lists prior to the plebiscite of September 1, 1944. The first
mission (APPENDIX 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-controlled EAM. The second
mission (APPENDIX 2), after having satisfied itself that the revised electoral lists
were accurate enough to serve as a basis for conducting the Greek people on
important national questions, remained in Greece at the instance of the
Greek government for an informal observation of polling on the day of the
plebiscite. Although there were unquestionably some irregularities and al-
though 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 success summarized by EAM during the civil war of 1944-45 to
reverted 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 would no longer remain in power. The new government could fall victim to an extreme-left-type dictatorship sponsored from outside the country and would probably be unable to prevent the rise of Communism, which could combine with Nationalist-Republican 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 aggrandized by the unenlightened partisan behavior of the nominally Popular (Bulgarian) 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 unstable any Greek Government not subservient to Soviet aims. Because of its geographic position and the fact that it is the only Balkan country not controlled by the USSR, Greece is the last obstacle in the Soviet path to the Aegean and Eastern Mediterranean. If representatives in Greece have become convinced that the increasing energy of Greece's northern neighbors and of EOKA (which has assumed responsibility for the present guerrilla fighting as a means of furthering the government's course with the "democratic army" in EOKA'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 fascists in the Greek Government not amenable to Soviet influence and to establish a controlled front of Soviet power in that country. At no time since Greek liberation was the Soviet press and radio raised its violent campaign of vilification and distortion, the purpose of which obviously has been to undermine confidence in British and EOKA intentions and actions regarding Greece, to confuse the realities of the Greek situation and to lead international public opinion to a point where believing EOKA to be the only true democrats and EOKA opponents to be fascists without exception, it would insist on the removal of British troops and the transfer of power to EOKA. In the opinion of veteran Polish representatives EOKA 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 Nations. In January 1946, apparently to affect the entire case, the USSR presented to the Security Council the question of the presence of British troops in Greece. In August the United Nations 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
propaganda against Albania in order to obtain Albanian territory and alleged Greek persecution of minorities in Macedonia, Epirus, and Thrace. A Soviet-sponsored resolution condemning Greece was rejected by a vote of 9 to 1. The E.A. 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 "leading" 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 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 still continue their activities in order to lend color to the claims of E.G.R. the U.N. and Soviet-dominated satellites that present existence is a spontaneous revolt of the "Democratic people" against a "Fascist-Greek" government, the pressure 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 not before critical with the exception of 1949. 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 urgently needed reforms which both the E.G.R. and the U.N. have canvassed. The drachma has twice been stabilized, but the most recent experiment of March 1949 ended little praise 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 which, combined with reckless and unauthorized licensing of foreign exchange transactions, has resulted in an almost complete exhaustion of Greece's foreign exchange resources. Ineffectiveness and mismanagement have by now prevented the country from realizing any benefit from E.G.R. credits already extended to Greece ($5 million from the Report-Import Bank)
$55 million for the purchase of foreign surplus property; and approxi-
mately $45 million for the purchase of ships from the British Government. This whole background of economic and financial needs, coupled with the 
slow progress of the E.U.N.D. program, occasioned urgent but vague and exaggerated 
appeals from the Greek Government to the U.S. for financial assistance. 

In a result of discussions in Paris between Secretary Byrnes and Prime 
Minister Kleanthis, 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 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 con-
firmed the opinion of other observers that Greece is on the verge of run-
away inflation and financial collapse.

Coincident 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 20 were presented to the Department by the British Ambassador 
on February 21. 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.