GREECE

UNITED STATES CONCERN WITH GREEK POLITICAL, ECONOMIC, AND MILITARY AFFAIRS; NEGOTIATION OF A MILITARY FACILITIES AGREEMENT BETWEEN THE UNITED STATES AND GREECE; UNITED STATES ASSISTANCE TO GREECE; OFFER OF ADDITIONAL GREEK ARMED FORCES FOR THE UNITED NATIONS COMMAND IN KOREA; VISIT OF THE KING AND QUEEN OF GREECE TO THE UNITED STATES

No. 419

781.00/2-752: Telegram

The Chargé in Greece (Yost) to the Department of State

SECRET

ATHENS, February 7, 1952—5 p.m.

3613. Fol is substance of conversation with Venizelos today.

In response to his query as to our views of polit situation, I replied we are frankly losing confidence in ability present govt to provide necessary stability in mil, econ and security fields, and outlined principal causes our dissatisfaction. Venizelos declared he also deeply dissatisfied but doubtful what to do. He was very apprehensive elections under majority system since his friends wld desert him if he collaborated with Papagos and he himself had not collaborated with Plastiras. He would therefore probably be obliged to abstain. We referred to possibility Rally-Lib coalition without elections. He said he personally wld not be averse to such coalition and felt after his last conversation with Papagos marshal might also agree. However, public must be offered some reasonable excuse for overthrow of govt and he did not consider excuse yet exists. He is most reluctant confirm his reputation as “destroyer of govt.” . . .

We replied we recognize these dangers and were not attempting to precipitate matters but were deeply disturbed by developments in three above-mentioned fields and feared moreover that, if affairs were allowed to drift too long, further incidents might arise which wld make understanding between Libs and Rally extremely difficult or impossible. We therefore urged he continue his conversations with Rally and arrive at understanding which might be im-

1For previous documentation on this subject, see Foreign Relations, 1951, vol. v, pp. 445 ff.
plemented when favorable occasion arose. Venizelos agreed and said he intended meet Papagos within next few days. He added however, that if ratifications completed in time, he felt he must as For Min attend Lisbon NATO mtg since it will be first for Greece.

(Though Venizelos saw King yesterday, we are not certain whether favorable attitude toward coalition with Rally has King's blessing or is merely his own preference which he will abandon under pressure. King met Papagos secretly last night and we expect be able tomorrow to report outcome conversation.)\(^1\) Re Kitrilakis, Venizelos he stated usual story about involvement with IDEA and hostility brother officers and we replied as we had to King and Sakellariou. Venizelos said wld be extremely difficult re-store to former position or send to NATO officer who had lost confidence of colleagues. He suggested possible compromise might be to remove both Kitrilakis and Tsakalotos from present commands and send latter to NATO. We replied this might be considered but emphasized we felt some significant post must also be found for Kitrilakis.

We shall discuss this last suggestion with Gen Hart and submit our views tomorrow.\(^2\) It is probable Grks exaggerate importance their mil rep to NATO and wish have politically trustworthy character in this spot. From our point of view it might be convenient means easing Tsakalotos out of present position. However, it is not yet clear whether King has approved this suggestion.

Yost

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\(^1\) According to Markezinis, in meeting with the King on Feb. 6, Papagos proposed immediate elections based on a majority system. Papagos stated he had offered the Liberals collaboration in the elections, leaving open the possibility of a Rally-Liberal coalition without elections if Venizelos first headed a transitional one-party government supported by the Rally. The King did not commit himself on these proposals, but reportedly was pleased with the conversation. (Telegram 3649 from Athens, Feb. 8; 781.00/2-852)

\(^2\) Telegram 3660 from Athens, Feb. 9, reported that General Hart and the Embas-sy were inclined to believe that if the government actually proposed to send Tsaka-lotos to the North Atlantic Treaty Organization, "we shld seize opportunity to get him out of [the Greek] Gen Staff provided (1) his replacement is satisfactory and (2) some soporific post is found for Kitrilakis." (781.00/2-952)
Memorandum by the Secretary of State to the Acting Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Berry) ¹

SECRET

[WASHINGTON], February 8, 1952.

After the Cabinet today the President mentioned to me that we had had reports from Greece (I gathered that these came through CIA)² of intrigues by the Palace against General Papagos. These were disturbing both on account of the effect of them upon the possibility of establishing a stable government in Greece and by reason of their effect on the Army. I said that we had had similar reports through the Embassy at Athens³ and that I had talked with Ambassador Peurifoy,⁴ who believed that we should use our influence to bring about the inclusion of General Papagos along with Mr. Venizelos in the Government, and possibly new elections with the King using the power granted him by the parliament to have elections continued on a majority voting system.

The President said that he was glad we were giving this matter close attention and asked that he be kept in touch with it.

I mentioned to the President the fact that Ambassador Peurifoy had said to me that if he were empowered to use the possibility of a visit by the King and Queen to this country, it might be helpful in obtaining the results indicated above. The President said that if we wished to develop this idea further, he would be glad to discuss it, but did not commit himself in any way either for or against the idea.

¹Copies of this memorandum were transmitted to William J. McWilliams (S/S) and Matthews.
²For example, there was the memorandum, “Report of Deterioration of American Position in Greece,” Jan. 9, by Wisner (CIA) to Armstrong. (611.81/1-952)
³See telegram 3613, supra.
⁴Peurifoy was in Washington for one month on consultations beginning the latter part of January. An assessment and suggestions regarding the Greek political situation evolved by Department officials in consultations with Peurifoy after review of Embassy reports, was transmitted in telegram 3603 to Athens, Jan. 30. (781.00/1-3052) No record of a conversation with Acheson has been found in Department of State files.
Memorandum of Conversation, by the Special Assistant to the Secretary of State (Battle)\(^1\)

CONFIDENTIAL  

Participants: King Paul of Greece  
Secretary Acheson  
Ambassador Gifford

The Secretary called yesterday on King Paul of Greece at the King’s request. After the appointment, the Secretary told me among other matters, the King mentioned the question of a visit by him and the Queen to the United States. The King said he had talked to Ambassador Peurifoy about his desire to come,\(^2\) and Peurifoy had shown great interest in this.

The King said that he could see that with Queen Juliana\(^3\) coming, the President might be into an election period in which a visit by the King and Queen might be embarrassing. He said he understood the situation perfectly and it would not make too much difference to him if the visit were not forthcoming.

The Secretary said that Mr. Peurifoy had spoken to him and that the Secretary was also very much interested in this possible visit. He said he hoped when the visit actually came about, it would be under the most favorable circumstances. He said it was true that Queen Juliana was coming and that we would probably have a visit from one of the Latin American countries also. He said that we would then be in the campaign period, and he was sure the King would not want any impression to get around that his visit had any political connotations. The Secretary said that we were still studying the matter, but he gave every indication that an invitation would not be extended.

The King repeated that he was not deeply concerned and that he understood perfectly.

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\(^1\)A copy was transmitted to Matthews. Acheson was in London for the Foreign Ministers meetings, Feb. 13–19; for documentation, see vol. v, Part 1, pp. 36 ff. King Paul was in London for the funeral of King George VI on Feb. 15, which Acheson attended as personal representative of the President. A briefing memorandum, Feb. 12, by Ruddock, on the meeting with King Paul is in file 781.11/2–1252.

\(^2\)A report of Peurifoy’s audience with the King on Jan. 11, at which King Paul opened and closed on the same theme, his hope of visiting the United States in 1952, was transmitted in telegram 3122 from Athens, Jan. 11. (781.11/1–1152)

\(^3\)Queen Juliana of the Netherlands.
Memorandum of Conversation, by the Secretary of State

SECRET

LISBON, February 23, 1952.

Subject: Current Greek Political Situation; NATO Command Regarding Greece; and NATO Headquarters Location.

Participants: M. Sophocles Venizelos, Greek Deputy Prime Minister, Foreign Minister and head of Greek Delegation to NATO;
Mr. Michael Melas, member, Greek Delegation to NATO; and
The Secretary;
Mr. Dorosz, GTI.

Venizelos called on me today and said he wanted to discuss two NATO questions, i.e., command and location of NATO headquarters, and also the current Greek political situation.

On the command, Venizelos said he was disturbed because he understood that the Italians were still pursuing the question of getting an Italian designated as deputy to Admiral Carney. In this intermediary role the Italian Deputy would be directly over the Greek and Turkish land and air forces. He feared Italian pursuance of this issue would adversely affect Italy’s relations with Greece. He therefore thought that establishing two deputies under Carney would solve the problem: an Italian over the Italian forces, and an American over Greek and Turkish forces.

I told Venizelos that I knew the Italians had suggested creating a position for an Italian to serve as deputy to Admiral Carney. Admiral Carney, however, had turned it down and the suggestion did not find favor outside of Italian quarters. I would, however, speak to General Bradley and tell him about the Greek fears.

As regards the location of the headquarters for NATO, Venizelos said it was a very embarrassing matter for a small country such as Greece to take a definitive position before the major countries worked out a mutually agreeable solution. The Greeks wanted to cooperate with all of the NATO countries. He, therefore, wondered whether a possible solution might be the following: United States retain the Standing Group; Paris serve as NATO headquarters; and a British national serve as Secretary General.

1Drafted by Dorosz. The source text is the copy transmitted to Athens. The participants were in Lisbon for the Ninth Session of the North Atlantic Council, Feb. 20–25; see vol. v, Part I, pp. 107 ff. A briefing memorandum, Feb. 21, by Dorosz to Acheson, on the “Prospective Call of Head of Greek Delegation,” is in file 781.00/2-2152.
I told Venizelos that I had talked several times with Mr. Eden on the NATO reorganization problem. Currently only two questions were still unsettled, i.e., the name of the Secretary General and the location of the headquarters. We considered it impossible to split the functions of the organization. I was, however, hopeful that we could find a solution, even though it appeared that these particular points may have to come before the NAC for decision.

On the political crisis in Greece, Venizelos mentioned that he was principally responsible for putting into effect the modified proportional electoral system which resulted last Spring in the election of three main parties, instead of the customary 15 or so small parties under the previous electoral systems. His Liberal party, while smallest of the three, feels it can work with the other two. By inclination, however, his party is nearer to that of Marshal Plastiras than that of Marshal Papagos. Venizelos had been willing to join in a three party coalition, but Papagos had shown no disposition to accept this formula. Instead, he was campaigning for new and early elections. Further, rumors were current in Greece to the effect that the United States Government approved the Papagos program. This tended to increase instability in Greece. For his part, he was not satisfied with the effectiveness of the present government. However, if new elections were undertaken a serious rift would occur and a more unfortunate situation would result. The Liberals would have to merge with one of the two main parties. Up to the present, the Liberals were able to keep EPEK from going too far to the left. If the Liberals withdraw from association with EPEK, the country might drift further left. Further, if the Liberals joined with Papagos, the general impression would be that the government was reactionary and Greece would find itself in the same position as in 1946 when the right wing took over and Liberal ideas were suppressed. At that time, Henderson\(^2\) persuaded him to step into the breach and form a government for the purpose of trying to heal the wounds.

For the reasons he gave, Venizelos said he hoped the United States Government would not give the impression that it favored Papagos. So long as this impression lasts, Papagos' attitude would be stiffened. If we indicated that we were not favoring any particular side, Venizelos implied that everything would be all right.

In commenting on Venizelos' special plea, I said that we wanted to see as broad a government as possible in Greece and that some of our people thought that a coalition between Papagos and the Liberals might be the answer. I would get in touch with Ambassa-

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edor Peurifoy, letting him know of our conversation and would seek his views and recommendations in the matter.3

I myself raised with Venizelos two questions: (a) Greek political interference in the high command of the Greek armed forces, . . . .

Before the meeting broke up, I reiterated my hope that Venizelos would be able to do something on the two points which had been worrying us so much lately.

3No record of an effort by Acheson to seek Peurifoy’s views and recommendations on this matter has been found in Department of State files.

No. 423

781.5 MSP/3-652

Memorandum by the Acting Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Berry) to the Secretary of State1

SECRET

[WASHINGTON,] March 6, 1952.

Subject: Ambassador Peurifoy’s Telegram No. 3980, March 52

In his personal telegram to you, Ambassador Peurifoy reported his concern over an apparently basic disagreement which exists between Athens and MSA/Washington regarding the current Greek aid program. You may be interested in the following background:

As Ambassador Peurifoy indicated, the main problem lies in the determination of the extent to which policies designed to attain “economic stability” will be implemented regardless of their adverse effect upon other American goals in Greece, particularly the extent to which development projects must be sacrificed in order to conserve expenditures of Greek drachmae. The lack of agreement upon this point has resulted in failure by MSA/Washington to release counterpart funds in adequate quantities and in sufficient time to prevent disruption of a number of projects now being carried out by the Greek mission.

This matter has been discussed on a continuing basis by Departmental representatives with MSA/Washington. Ambassador Peurifoy, during his recent visit, also pursued the subject with appropr-

1Drafted by Rountree and routed to the Secretary of State through S/S and G; initialed by Acheson.
2Not printed. (781.5 MSP/3-552)
ate MSA officials including Mr. Kenney. It was agreed at that time that an inter-Departmental group would be dispatched to Greece to survey the economic situation and to recommend policies which should be pursued in light of all pertinent considerations. Unfortunately, several individuals who were considered by MSA to head the group have declined, but it is hoped that someone will be appointed within the next few days. It is expected that the Department will designate an official to join the group. As yet, however, no such individual has been chosen since the terms of reference of the group have not yet been agreed upon within MSA or discussed with the Department. It is expected that this will be done in the very near future, and in the meantime Mr. Kenney has dispatched a telegram to Athens informing our people there that the group will be forthcoming as soon as possible.3

Pending the arrival in Athens of the group and the results of its survey, I am informed that it has now been agreed within MSA to meet the immediate problem of counterpart releases in the following manner: 50 billion drachmae will be released immediately for current obligations, and MSA will consent to the automatic release of a total of 300 billion drachmae for the period January 1 to June 30. These releases will be authorized in accordance with any schedule recommended by Athens. For the time being, pending the outcome of the special group, the amount of 300 billion drachmae will be regarded as the maximum which can be released unless progress upon the counter-inflationary program is later considered to warrant an increase.

In effect, this arrangement would provide the Greek mission with latitude for counterpart releases to meet minimal needs until there has been sufficient time for a total review by the Greek mission of United States economic policy objectives in Greece and the manner of attaining them. I believe that this should be found satisfactory to Ambassador Peurifoy. It is understood that a telegram outlining this plan will be dispatched by MSA to Athens, probably today, after appropriate clearance with agencies represented in the NAC.

I do not believe it necessary at this juncture for you personally to discuss the matter with Mr. Kenney, but if there are any major problems concerning the interim financial arrangements or concerning the terms of reference of the special group to be sent to Athens, NEA may recommend at a later date that you do so.

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3Not further identified.
A telegram to Ambassador Peurifoy will be drafted as soon as the position of MSA/Washington concerning counterpart releases has been formalized.\textsuperscript{4}

\textsuperscript{4}Infra.

\textbf{No. 424}

781.5 MSP/3-552: Telegram

\textbf{The Secretary of State to the Embassy in Greece}\textsuperscript{1}

\textbf{SECRET} \textbf{WASHINGTON, March 12, 1952—3:52 p. m.} 4266. Dept fully shares ur views concerning necessity establishing policy agreed by all agencies concerned upon Grk econ program, including targets in anti-inflationary drive (Embtel 3980, Mar 5).\textsuperscript{2} Recognize that lack of agreement cannot fail have very adverse effect upon attainment US objectives in Greece. Dept believes desp to Greece of interdepartmental group discussed by you with Kenny can serve extremely useful purpose in bringing about such an agreement, and hopes it can be sent in near future. Expected Dept Rep will be included. Meanwhile, however, essential current policies not unduly impede minimal operations in Greece. MSA’s Musto 234\textsuperscript{3} authorizes imm release fifty billion drachmae for purpose of mtg unpaid obligations already incurred, and establishes three hundred billion drachma program for total releases Jan 1 to June 30. Auth will be given for releases pursuant any sched recommended by MSA Greece, subj conditions (a) and (b) para 5 of tel. Effect of this will be to break present impasse upon releases, and will provide some flexibility in planning for immde future.

Wld appreciate ur advice soonest re effect which this arrangement will have upon Mission planning, and whether it is acceptable at least as an interim arrangement pending results of survey group. If in ur considered judgment arrangement, even on interim basis pending survey group, wld be detrimental to US interests Dept prepared discuss with MSA such alternatives as are deemed essential in light of all pertinent factors, including essentiality of realistic approach to problem of econ stability.

\textbf{ACHESON}

\textsuperscript{1}Drafted by Rountree, cleared with Berry, and signed by Acheson.

\textsuperscript{2}Telegram 3980 reported that Lapham had considered resigning because of MSA policy of financial compression, reducing the counterpart fund program to 300 billion drachmas for January to June. (781.5 MSP/3-1152)

\textsuperscript{3}Not found in MSA files.
SECRET

ATHENS, March 17, 1952—5 p. m.

4149. As Dept is aware pro-Govt press is bitterly attacking Americans for our statement of last week\(^1\) and all those who favored return to proportional representations system are accusing us of unwarranted intervention. Venizelos told me yesterday he collaborated in preparation Plastiras statement favoring majority system\(^2\) and that there was never any intention of presenting proportional system draft law to Parl without first consulting me.

Despite these claims we shld like to reiterate our conviction that Venizelos, Rendis and Palace had determined to rush through proportional representation law within next few days, that they probably had votes to do so and that *fait accompli* was avoided only through (1) Iosif getting to Plastiras and (2) issuance of Emb statement. It is possible former alone wld have sufficed but in view extreme pressure being exerted on PriMin and precarious state his health he might have yielded at any moment and placed us in position either of seeing law enacted or of coming out publicly under much less favorable circumstances. As for Venizelos there is no question he instructed Rendis to prepare draft law with view to its immed introduction in Parl, in spite of fact we had again and again over many months made known to him our strong feelings re return to proportional system. Although Palace will probably not give up struggle we feel chances of getting such law through Parl now very slim and issue probably dead for time being.

As to question of intervention we have warned all our Grk friends many times in past that issue of electoral system so critical to effectiveness entire US aid program wld be obliged to state our position publicly if need arose. As relations with Plastiras, Kartalis and Havinis\(^3\) during past few months indicate we may expect henceforth as memory of civil war fades and Grk recovery proceeds that resentment at US controls will increase and accusations of intervention multiply. Emb is keenly aware of this natural trend and will endeavor to see to it that our interference is limited to indispensable minimum and carried out as discreetly and inconspicuously as possible. Nevertheless we are sure that Dept and MSA will

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\(^1\)Transmitted in telegram 4108 from Athens, Mar. 14. (781.00/3-1452)

\(^2\)This statement was also transmitted in telegram 4108 from Athens.

\(^3\)Theodore Havinis, Minister of Public Works.
agree that there are times when our intervention in the interest of US policy and the US taxpayer must be prompt, firm and decisive.

PEURIFOY

No. 426

September 3-3152

Memorandum by the Acting Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Berry) to the Secretary of State

TOP SECRET SPECIAL HANDLING

[WASHINGTON,] March 31, 1952.

Subject: Greek Currency

The following is background upon a problem which I understand Mr. Matthews will discuss with you today, and concerning which he will propose that you talk with Mr. Harriman:

As you may know, there has been sharp disagreement between Athens and MSA/W concerning the implementation of a counter-inflationary program in Greece. Since the problems involved in determining the proper course of United States policy in this regard are so complex, we have encouraged the dispatch to Greece of a special MSA mission to study the matter and decide what should be done. A group headed by Mr. Sam Welldon, Chairman of the First National Bank of New York, is leaving for Greece on or about April 2. By mutual agreement between MSA/W and the Department, an officer of GTI will be included in the mission.

Although MSA/W, particularly the officers of that agency who will go on the mission to Greece, is known strongly to favor Greek currency reform, our discussions with Mr. Kenney have led us to understand that this question will not be prejudged but will be considered in light of the political, economic, psychological and other factors involved and in light of the attitude of the Greek Government. In discussing the terms of reference of the group with Mr. Kenney, Mr. Rountree emphasized the importance in his judgment that no prior decision be made upon this matter since it is impossible at this distance to evaluate the feasibility and implications of

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1Drafted by Rountree and transmitted through Matthews and Cowen. It bears the handwritten notation: "Ret'd by Sec. after action taken."
2No record of a conversation on this subject by Acheson and Matthews on Mar. 31 has been found in Department of State files.
3No record of the discussions between Berry and Kenney has been found in Department of State files.
such a step. It was understood that draft terms of reference would be amended accordingly.  

Last Wednesday it was learned by chance that Mr. Tenenbaum, a member of the proposed MSA mission, was departing the following day for London where he would place an order for the printing of a new Greek currency to be used if and when it is decided to institute a currency reform. Mr. Rountree therefore contacted Mr. Kenney and discussed the matter with him.

Mr. Kenney confirmed that Mr. Tenenbaum was going to London to place an order for new currency at a cost of approximately $300 thousand, since MSA felt this would be necessary in view of the time which would be required to print the bills. He pointed out if we should wait until the decision is made there would be a two or three months delay before the currency would be available.

Mr. Rountree told Mr. Kenney that he was considerably disturbed over the implications of the United States placing the order and asked if the Greek Government was aware that this was being done. Mr. Kenney indicated that an official or officials of the Bank of Greece had “signed the requisite plate orders” but that very few people knew about it because of the requirement of absolute secrecy. From this and subsequent conversations with MSA people there appears to be considerable doubt that anyone in the Greek Government itself is aware of the fact that we intend to order the currency. While the Governor of the Bank of Greece undoubtedly has played some role in the matter, it is not clear to us that he knows that the United States is placing an order. In any event the Bank is not the Government itself.

As a second point, Mr. Rountree asked Mr. Kenney if this action would not tend to prejudice the question of whether there should be a re-issue of Greek currency and he said that it would not. Mr. Rountree emphasized again the hope this would not be the case as it was his understanding that this question would be determined in light of all considerations involved after the special mission arrives in Greece.

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4The terms of reference for the MSA delegation to Greece, Mar. 3, prepared in the Office of the Assistant Director for Europe (MSA), set a target date of 3 months after the delegation’s arrival in Greece for implementation of currency reform. (Enclosure to the letter, Mar. 20, from Locker (MSA) to Rountree; 881.10/3-2052) The amended terms of reference called on the delegation and the MSA Mission in Athens to prepare and negotiate, if found necessary, currency reform “at the earliest possible time”. (Attachment to copy of a letter, May 12, from Peurifoy to Kenney; Athens Embassy files, lot 69 F 48, 49-57)

5Possibly Edward A. Tenenbaum, Office of the Assistant Director for Europe, Mutual Security Agency.

6Kenney told Rountree: “that the action of proceeding with the order is pursuant to authority granted by the NAC two months ago”. (Memorandum of conversation, Mar. 26, by Rountree; 881.10/3-2652)
It is believed this matter poses a very serious problem. If the plan is permitted to proceed, and if our understanding of the facts is correct, the United States would be in a position of placing an order for new Greek currency, even bearing a new name, without the specific knowledge of the Greek Government. Should this become known, the repercussions could be very serious. Since the prerogative of currency issue is very important to any sovereign state, the action might well be interpreted as intervention of a most blatant nature, and the repercussions could extend considerably beyond Greece.

The argument favoring our placing the order is that, should it later be decided to re-issue Greek currency, the time element would be extremely important and our failure to order now might jeopardize the effectiveness of the program; that the advantages are, in fact, worth the gamble that $300 thousand will be lost if it is later decided not to re-issue the currency. While this argument obviously has merit, it would appear most wise that the action be not taken without the knowledge and approval of at least the Greek Prime Minister, or acting Prime Minister, even though he probably should be asked not to disclose the matter to anyone else.

In view of the lack of consultation upon this matter we cannot be certain of the facts. However, because of the serious nature and delicacy of this question it is proposed that you discuss it with Mr. Harriman⁷ as soon as possible so that we know what the situation and its implications are before the United States is committed. In the meantime, Mr. Matthews telephoned Mr. Tyler Wood⁸ on Friday evening and requested that Mr. Tenenbaum be instructed to take no action in London pending further word. It was understood that such instruction would be sent.⁹

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⁷No record of a discussion by Acheson and Harriman on this question has been found in Department of State files.

⁸C. Tyler Wood, Associate Deputy Director of the Mutual Security Agency.

⁹Attached to the source text is a suggested message from Harriman to Kenney which concluded that the decision to order new Greek currency would await Kenney's discussions in Athens and approval by Mantzavinos and Peurifoy. It bears the handwritten notation that the Secretary approved, and the message was transmitted in telegram Musto 301, Apr. 2.
The Ambassador in Italy (Bunker) to the Department of State

TOP SECRET

ROME, May 13, 1952—8 p. m.

4933. From Unger. Athens tel rptd Rome 122, May 10\(^2\) and other message\(^3\) re reduction Greek military expenditures brought Admiral Carney’s attention. He has already transmitted his comments directly Amb Peurifoy via Navy channels; they are as follows:

“Not until I discussed them with him in Athens was I aware of Montgomery’s views concerning reduction of Greek forces. Montgomery explained his views were based on his belief that any current economic improvement only reflects American subsidy, on the cheaper concept of mobilizing reserves, and a theory that Albania can be eliminated as a strategic threat pinning down Greek forces if Albanians are warned that any “dirty work” will result in their being blotted out by atomic bombs (he mentioned the number 50). Since I did not consider it appropriate to give him info concerning MSA, I did not discuss the subject in great detail. The views expressed by Montgomery do not stem from opinions held in this headquarters. As to whether Montgomery’s statements reflect any opinion of Eisenhower with respect to Greece, I have no info, but inasmuch as Eisenhower has expressed no such thought to me I am inclined to doubt it and believe they are the views of Field Marshal the Viscount Montgomery of Alamein.”

Admiral Carney also added following comments concerning his conversations last week in Athens with Greek Under Secretary for Defense Mavros.

“In our conversations he indicated that budgetary difficulties might result in reductions in military budget and sought my views as to where cuts, if necessary should be made. Without citing any specific programs and in general terms I told him any buildup program extending over two or more years must be carefully examined to prevent the inevitable loss which results from a change to reduction trend from buildup trend. Specifically Mavros asked how reduction to ground forces shld be done if such reduction became necessary. It was my opinion, I informed him, that organizational structure shld be maintained and that the reduction shld be made

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\(^1\)Repeated for information to Athens and to Paris for MacArthur.

\(^2\)In this telegram, the Embassy in Athens inquired whether remarks in Athens by Field Marshal Bernard L. Viscount Montgomery of Alamein, Deputy Supreme Allied Commander in Europe, on reducing Greek military expenditures were American-inspired or self-initiated. (781.5/5-1052)

\(^3\)Reference is possibly to telegram 4830, May 10, repeated to Rome for Unger, in which the Embassy in Athens quoted portions of an address at a Greek Government dinner, May 9, by Montgomery on the need for Greece to examine the possibility of reducing defense spending. (781.5/5-1052)
by reducing percentage of personnel in the units while still retaining units in being and in position and accenting added mobilization requirements. I did not state that I wd have no objection to such reduction and confined my remarks to a general discussion as to right and wrong ways of effecting reductions in face of cuts in budget. It wd appear, based on estimates of satellite strengths, that present strength of Greek forces cld only be reduced on basis of a considerably greater calculated risk."

BUNKER

No. 428

Athena Embassy files, lot 59 F 48, 49–57

The Deputy Director of the Mutual Security Agency (Kenney) to the Ambassador in Greece (Peurifoy)¹

TOP SECRET AND PERSONAL

WASHINGTON, May 29, 1952.

Dear Jack: I appreciate very much your letter of May 12, 1952,² and trust that you will forgive my delay in replying, but I wanted first to discuss with Mr. Welldon the matter of his report.³ He has just returned and is working on his report which will be submitted in due course.

Preliminarily I will answer the points raised in your letter although I am sure they will be answered more fully in Welldon's report and, of course, you will have the opportunity to comment on such recommendations as may be contained in that report. The terms of reference which I showed you in Paris, a copy of which is enclosed for your information,⁴ detailed the following three tasks to be performed by the Delegation:

a. To institute, wherever possible, and negotiate with respect to, measures necessary to achieve a program which has as its primary emphasis the elimination of inflationary pressures in preparation for a currency reform;

b. To prepare and negotiate, if found necessary, the implementation of a currency reform at the earliest possible time. The anti-inflationary program together with the currency reform, shall be designed to restore confidence in the monetary system of Greece, to induce the surrender of hoarded gold and foreign exchange to the monetary authorities, to restore an equitable distribution of income in Greece, to reduce Greece's balance-of-payments deficit substan-

¹The source text bears Peurifoy's handwritten notation that Turkel discussed this letter with Anschuetz and prepared a reply. No reply was found in Department of State files.
²Not printed. (Athena Embassy files, lot 59 F 48, 49–57)
³Not found in Department of State files.
⁴Not filed with the source text; see footnote 4, Document 426.
tially, and to restore conditions favorable the healthy growth of free enterprise in the country; and

c. To make recommendations with respect to the longer-term economic objectives of U.S. aid to Greece and with respect to the nature and level of economic activity in Greece.

I shall not delineate the steps which have been taken in connection with tasks (a) and (b) because I believe you or someone on your staff are aware of all action taken both by the Mission and by the Greek Government in the institution of the stabilization program. Further action in (b) will be developed as the situation itself develops and it is determined that such action is necessary in the light of progress. The fulfillment of task (c) raises a different problem. Following our discussion with Mr. Welldon it was the consensus of opinion that it would be impossible to make any recommendations with respect to the longer-term economic objectives of U.S. aid to Greece and the nature and level of economic activity in Greece until we had a clearer picture of the success of the current stabilization program. The present economic picture of Greece is so uncertain that there are no stable grounds on which to make any such recommendation. This does not mean that this aspect of the problem is to be overlooked but merely to be deferred until we can proceed on sounder ground. Also, as you are aware, the level of economic aid is a matter of continual study by the Mission and the staff in Washington so that there will be data available for Mr. Welldon and his Delegation when the time appears for the long-range evaluation.

During my meeting with Mr. Welldon we had an extended discussion as to the character of report that he should submit, not with any thought of directing the type of report but merely to obtain that which would be most beneficial to all of us. The report will detail action taken and in progress and will enumerate certain bench marks that can serve as guides of progress or warnings of deterioration. We should be on the alert for their appearance because certain of them will call for action and others for study. The group confined itself primarily to the financial aspects of the Greek economic problem because, as I told you when I was in Greece, I felt that it was our function to prepare a study purely economic in character and not diffused with political and military considerations. The political aspects are your responsibility and the military aspects are the responsibility of the Department of Defense. We recognize that political and military considerations may require action not justified on purely economic grounds. However, the basis for any particular action must be clear, and I do not think we add much to the military and political thinking if we
have confused these problems with our determination of the economic ones.

In connection with all this I would like to inquire about your cable of May 13, No. 4869, because I have assumed that it carried no implications that under appropriate circumstances the military program might not be reviewed. As you know, I discussed with General Eisenhower our fears concerning the economic situation in Greece and our desire due to the military connotations to keep him informed of developments. At his suggestion Fred Anderson and I had an extended discussion with Admiral Carney concerning the impact of the military program on the Greek economy, and he agreed that if our study indicated that the military program was exacting too heavy a toll from the Greek economy he would review it. This would imply two types of review, one, that the maximum military strength is obtained in the most economical manner, and, two, that the magnitude of the forces is in accordance with strategic plans and can be supported. Admiral Carney clearly understood that this was a responsibility of the military and one in which my Agency had no competency to make any determination. I believe General Anderson had some discussion with General Hart along these lines, but unfortunately, I was not present at their conference so do not know the exact tenor of it.

I quite agree with you that it is most desirous to maintain harmonious relations. With this thought in mind I have pulled the Greek communications out of normal channels so that important cables are seen by me and in some instances have been rewritten by me. Therefore, I am afraid that if there is any current condemnation it must be directed at me. Of course, one of our principal problems in Greece was to strengthen Roger’s hand and provide him with more competent personnel. To this end I have, at Roger’s request, agreed to the transfer of Barrows as Deputy Chief and Tenenbaum as Economic Advisor. The creation of the Economic Policy Committee should be helpful as it will provide a forum for reviewing programs with an emphasis on overall results rather than individual projects.

I do appreciate the interest you have taken in my problems and hope that we are progressing on the way to solution.

With best wishes to Mrs. Peurifoy and with kindest personal regards, I remain,

Very sincerely yours,

JOHN KENNEY

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6Telegram 4869 reported the Embassy’s view that Montgomery’s advocacy of retrenchment by Greece would “make resistance to Greek Gov’t’s inevitable appeals for greater aid either through NATO or MSA infinitely more difficult.” (781.5/5-1351)

6Frederick L. Anderson, U.S. Deputy Special Representative in Europe.

7Roger D. Lapham.
The Ambassador in France (Dunn) to the Department of State

TOP SECRET

PARIS, July 5, 1952—5 p. m.

137. From MacArthur. Greek DefMin Mavros visited SHAPE July 3 and 5 to call on Generals Gruenther and Ridgway respectively. Following is résumé of points he raised:

1. Greek defense budget Mavros had just completed calculating his defense budget to be presented to Greek Parliament in about three weeks. This calculation indicated if Greeks were to continue its ground forces at present level and undertake increased expenditures for air and navy (including work on airfields, naval ports and installations, etc.) it wld require 700 billion drachmae from other govt resources. Only place this could be picked up was from important reconstruction projects (hydroelectric, etc), and if work on such project came to halt, a serious economic and unemployment problem would be created for Greece. Also many reconstruction projects were in North Greece and halting work on them would have adverse psychological effect since might be interpreted as indication work stopped since Greece intended to abandon this area in event of aggression.

Mavros said considerable part of money was for common use facilities (infrastructure) particularly airfields and naval installations. To solve his problem of budget presentation to Greek Parliament he proposed include on credit side of budget an item of 10 million pounds sterling for infrastructure which he understood had been recommended by SHAPE for fourth slice infrastructure program. He wished to know whether SHAPE had any objection his doing this.

In reply he was told while SHAPE had made a recommendation for about 10 million pounds of infrastructure items in Greece, this had not been approved by Standing Group and would only become a firm figure when SG had approved and agreement had finally been reached by govts on sharing cost of fourth slice. Furthermore, SHAPE could not answer Mavros question since its role consisted in establishing requirements for infrastructure and not in getting

1Repeated to Rome for Unger, Belgrade, Athens, and Ankara.
into any phase—national or international—refinancing or budgeting for them. It was pointed out to Mavros, however, that Greece wld be expected to contrib to common infrastructure so that what it might receive would not, of course, be a net contribution.

2. Mavros then brought up question of location of CP for Admiral Carney’s subord command or who would exercise control over Greek sector of southern command. He said Greek Govt believed CP shld be in Greece since this would eventually enable it to tie in with Yugo. In reply he was told that decision of location of CP could be made only after SG had approved General Ridgway’s recommandation on organization of southern command which was now being studied by SG and after receipt recommendations by Admiral Carney. Also question communications facilities was of tremendous importance. No commitment could be made by SHAPE as to location of CP, but regardless of where it was located, hope was expressed that Greeks and Turks would not engage in polemics.

3. Yugo. Mavros said relations with Yugo improving daily. Greek Military Attaché at Belgrade now had excellent and close relations with Yugo military and recently Yugos Chief of Staff had indicated Military Attaché was free to visit any military installations he desired. Yugo Ambassador to Athens had also indicated clearly desire for closer relations. Thus far Greek-Yugo military discussions had consisted largely of an intelligence evaluation re Bulg. However, it was hoped this would eventually develop into some form of contingent military planning. Mavros expressed belief Greeks now had closer military contacts with Yugos than had any other power. He said US Embassy Athens is being fully informed of discussions with Yugos and Greeks hoped at appropriate moment US would join in with Greeks in talks with Yugos. Mavros believed Tito would go slowly with military talks with other Western Powers and would first wish to develop closer contacts with Greeks and then Turks. He stressed that eventual knowledge and coordination of Greek and Yugo plans was essential if maximum defensive strength were to be created in that area. For example, coordination of plans and military effort between two countries might enable adoption of a forward strategy re Bulg in place of existing defensive strategy. In event of aggression capability for forward strategy was important to Greece since without it Thrace cld not be defended.

4. Mavros said question of policy re Yugo is linked with Albania. Greeks believe Albania will be first satellite country to be liberated. They think Yugos aim to establish a Tito type of Commie regime in Albania and then incorporate such an Albanian state with Croatia and Serbia in some form of greater Yugo federation dominated by Yugo. Mavros said he had excellent reason to believe Tito would even be willing to cede certain Yugo territory to such
an Albanian state as a means of achieving this end. Greece was opposed to any such solution to Albanian problem, and thought it essential that Albanian territorial integrity be safeguarded until such time as an appropriate and democratic regime could take over. If Albania were liberated and then occupied by Allied (Greek and Yugo) forces, Greek Govt thought it of utmost importance these forces be integrated and under command of a US officer. In this way its integrity and independence could be best maintained. Otherwise Albania might be divided by Yugos just as Germany had been divided after last war.

DUNN

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No. 430

881.10/7-1952

Memorandum by the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Byroade) to the Secretary of State

TOP SECRET  [WASHINGTON,] July 28, 1952.

Subject: Greek Currency Reform

Problem

To reach an agreed U.S. Government position with respect to the proposed Greek currency reform and the extent to which American officials should support the Greek Government in carrying out the plan.

Discussion

Recent telegrams from Athens indicate essential agreement among Embassy officials, MSA officials and Greek officials with whom the proposed currency reform has been discussed (Kartalis and Mantzavinos) that, despite inherent economic and political dangers, determined efforts should be made to carry through this basic reform as soon as practicable. It is also agreed that the present government is unable to implement this new policy and that the instrument most likely to succeed in carrying it out would be a three-party coalition whose formation would be accompanied by the announcement of future elections at some date to be fixed by mutual consent or in accordance with constitutional procedures. The possibility of such a new government has already been broached to the King and Queen who, without being informed as to

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1Drafted by Baxter and initialed by Richards, Byroade, and Jernegan. The source text bears the handwritten notation by Acheson that he agreed.
the exact nature of the "drastic measures" required of such a government, have looked with some favor on the suggestion.

There are attached two Departmental memoranda. The first, from OFD, expresses the belief "that the currency reform is a feasible operation and does not contain within itself the seeds of its own destruction".2 The second, from GTI, outlines in more detail the political considerations involved in the proposed change of Greek Government.3

Recommendations

1. It is recommended that the Department inform MSA/Washington that it has no objection to the early implementation by the Greek Government of the proposed currency reform.

2. It is recommended that Ambassador Peurifoy be instructed to support with the King and in any other official Greek circles he considers appropriate the formation of a government pledged to carry out such a reform and which it is considered would be able to do so. It should be clear that he is acting only in a friendly and advisory capacity in connection with Greek initiative.

3. It is recommended that MSA be informed that this decision is reached in spite of many misgivings as to the feasibility and wisdom, both politically and economically, of the proposed reform and that MSA be requested to give urgent consideration to measures which it might take in the event that the proposed plan does not produce the intended results.

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2The significant portion of this memorandum, July 28, by Jack C. Corbett (OFD) to Richards, is quoted above. (881.10/7-1952)
3This memorandum, July 28, by Dixon to Richards, pointed out the political obstacles to currency reform and suggested that a service government rather than a coalition might have a better chance to carry out currency reform. (881.10/7-1952)
The Secretary of State to the Embassy in Greece

TOP SECRET  WASHINGTON, July 29, 1952—1:30 p. m.

PRIORITY  NIA CT

355. Reference Embtels 327, July 26 and 337, July 28. After careful consideration ur recent estimates outlook for success proposed currency reform and in consultation with Treas and MSA/W, Dept agrees that Kartalis and Mantzavinos shld be encouraged to proceed with implementation reform program.

Approach already made to King and his suggestion that problem be discussed with you open way for frank and thorough exposition US attitude. You are authorized to indicate to King that currency reform scheme advanced by Kartalis and Mantzavinos has, in opinion US officials who have given it thorough study, good chance of success if instituted and carried out by a govt sincerely committed to its implementation and strong enough to see it through to its conclusion.

You shld make clear at all times, of course, that we are not committed to any one particular polit solution. Our interest is that, shld Greece decide to embark on a program which has the possibility of restoring a considerable measure of econ health but which must steer a delicate course among dangerous polit shoals, the composition of the Grk Govt responsible for this program shld have the genuine backing of the Palace and the major polit parties.

No matter what our protestations, we must expect program may be widely labeled as “made in USA”. Every effort shld be made to pt up Grk initiative in undertaking program, including formation of special govt to carry it out. We shld, however, go as far as we can, short of intervention in Grk internal affairs, to give advice and lend helping hand to any Cabinet which has courage and will

1Drafted by Baxter and cleared with Richards, Kenney, Byroade, and Overby (Treasury); repeated for information to Paris eyes only for Draper.

2Telegram 327 transmitted Embassy comments on political points made in telegram 314 to Athens, July 26, regarding the political requirements for currency reform. (881.10/7-2152) If the program for currency reform by a three-party coalition or a service government were abandoned, the present government would carry out a simple currency devaluation and the currency stabilization program would be substantially relaxed unless the United States intervened as much as and for longer than necessary to get currency reform. (881.10/7-2652)

3Telegram 337 reported that the King had asked Mantzavinos to discuss the problem of establishing a three-party coalition with Peurifoy, which enabled the Ambassador to commend rather than initiate the proposal. The critical question was whether the Rally would give a vote of confidence to a three-party coalition in exchange for the King’s assurances of elections after six months. (881.00/7-2852)
to attempt drastic solution which might, if not successful, result in untold harm to whole Grk econ structure.

Dept fully aware of polit difficulties and perhaps even impossibility achieving govt able put through proposed reform to successful conclusion. It is recognized that you shld have considerable latitude to play situation by ear in Athens. In any approaches which you decide to make to King or other Grk officials sufficient freedom of action shld be maintained to permit opportunity for “further consideration” or “reappraisal” by Wash if, in ur opinion, events shld take a turn that wld jeopardize success of project.

Both Emb and MSA/G shld, in our view, give urgent consideration to alternative measures which might have to be taken on short notice if implementation of currency reform shld in its early stages give evidence of not producing anticipated results. Dept and MSA/W will also undertake studies along same lines.

Acheson

_The Ambassador in Greece (Peurifoy) to the Department of State_¹

**TOP SECRET**

ATHENS, August 7, 1952—6 p. m.

480. Dept pass MSA for FitzGerald.² Ref Repto 67 (Repto 390 to Wash).³ Since my return to Athens and release my statement re stabilization,⁴ fol developments have occurred.

When informed privately of level of aid figure for current year, Kartalis stated that, if figure were announced, he wld recommend to govt its immed resignation. He argued that figure must have been fixed on assumption currency reform wld go through, that reform is most uncertain since polit prerequisites do not yet exist, that in any case assumption on which aid figure fixed can not be explained to Grk people and that they wld believe govt had carried out stabilization program at behest of Amers merely in order to justify aid cut. This popular reaction reflected thru deputies wld make position of govt untenable and it wld be preferable to resign over clear cut issues rather than as result further defection of deputies. He strongly urged (1) that larger aid figure be announced,

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¹Repeated for information to Paris for Draper.
²Dennis A. FitzGerald, Associate Deputy Director of the Mutual Security Agency.
³Not found in Department of State or MSA files.
⁴Peurifoy met with MSA officials in Paris on Greek economic problems, Aug. 3, and resumed charge of the Embassy in Athens, Aug. 6. No copy of Peurifoy’s statement on stabilization has been found in Department of State files.
subject to reduction if currency reform goes through or (2) no announcement whatsoever be made and, in view Venizeles well known indiscretion, govt not be informed of aid figure at this time.

Lapham and I subsequently decided it wld be unwise and impractical to conceal from govt aid figure on which all planning must be based. Lapham therefore informed Venizeles this morning that $40 million allotted for first six months. Venizeles replied that it was doubtful whether govt could continue under these circumstances, that he wld consult with Plastiras upon latter's return next Sunday and wld communicate with us Monday. He added it wld be difficult maintain current level of mil expenditures in light of aid cut. It was agreed at Venizeles request that no announcement of aid figure wld be made at this time.

I met with Papagos and Markezinis yesterday to explore further possibilities of interim three-party govt. I described our economic objectives in Greece, warned of severe cut in aid without mentioning specific figure and, having obtained promise of secrecy, explained proposed currency reform in general terms. Papagos expressed full agreement without economic program and assured me he wld not shrink before necessary measures no matter how drastic nor whom they affected.

On polit side he urged I insist King immed dissolve Parl and call for elections to be held in 30-60 days. Altho at first excluding any form of interim govt based on present Parl, it soon became apparent Rally leaders not so optimistic as previously and fear govt will, when Parl reconvenes, obtain vote of confidence which will confirm it in power for several months. They allege my statement re stabilization was interpreted as support of govt and discouraged defectors. They urged convocation Parl be delayed on pretext visit Yugo Parl delegation. (Venizeles has since informed us Parl will not meet before Aug 25.) Upshot of conversation was that, if King will not agree to immed elections, Rally will at least consider alternative plan which wld involve some form of interim technical govt for five or six months in exchange for public guarantee by King and all parties that elections will be held at fixed date. I hope to see King in day or two and will meet again with Papagos thereafter.

Alternative possible developments during next fortnight are fol:

(1) Resignation of govt ostensibly because of cut in aid but in fact because King and leaders consider majority in any case about to evaporate due to stabilization program and other factors;

(2) Agreement of Rally to service govt supported by all parties (King, Plastiras and Venizeles wld presumably also accept);

5 The communication by Venizeles with Embassy Athens on Aug. 11 has not been further identified.
(3) Failure of govt to obtain vote of confidence when Parl reconvenes;
(4) Govt obtains vote of confidence and continues in power.

Alternative (1) undesirable since downfall of govt wld be attributed directly to US action. Alternative (3) unlikely since, if EDA abstains as expected, govt could probably obtain majority of those participating in vote. Alternative (4) undesirable since all US reps here agree with Kartalis and Mantzavinos that currency reform could not be carried out by present govt. We therefore believe alternative (2) preferable from US point of view. Whether it can be worked out remains very doubtful but if present mood of Rally persists it is not impossible.

PEURIFOY

No. 433

881.00/8-2752: Telegram

The Ambassador in Greece (Peurifoy) to the Department of State

TOP SECRET PRIORITY ATHENS, August 27, 1952—3 p. m.

700. Dept pass MSA for Kenney. US policy in Greece during past few months has been primarily directed toward bringing about economic stabilization with view (1) ensuring effective use of American aid, (2) preparing country for drastic reduction in aid and cessation gold sovereign sales and (3) checking threat of runaway inflation. In June conclusion was reached that, while govt's policy in this field was so far satisfactory, stabilization program as it then existed was insufficient and, in light of growing political pressures, cld not long be maintained without additional steps. Those steps were devaluation or currency reform, preferably latter. We initiated conversations with Kartalis and Mantzavinos to determine whether these steps cld be effectively carried out by present govt. Their firm opinion was that they cld not and their recommendation was that efforts be made to form interim govt supported by three parties.

Fol this recommendation, with which we concurred because it seemed to offer best prospect of improvement in both economic and security fields, we explored proposals with King and Marshal Papagos. Latter agreed on condition he cld get firm written guarantee of elections within 5 or 6 months. King, who has repeatedly advocated this solution in past, seemed to agree but failed to fol up and,

1Transmitted in two sections; repeated for information to Paris for Draper.
moreover, revealed plan to Papandreou in spite of explicit warning not to do so. Vendiris insists this blunder was unintentional but, coupled with refusal to postpone Parl session, effect was to torpedo negotiations.

In meantime govt was informed of drastic cut in aid and in counterpart investment program and responded by publicly blaming its economic shortcomings on Americans and threatening cut in armed forces if more aid not forthcoming. At same time strong indications appeared that govt, in spite of public statement to contrary by Venizelos, hoped to remain in office even if it obtained only slimmest vote of confidence. Our judgment is that, if present govt remains in office, not only are prospectus of currency reform or effective devaluation practically nil but present stabilization program may rapidly disintegrate. We therefore felt that prompt elections are only means by which our objectives can be attained and that, in light overriding importance these objectives as repeatedly expressed by NAC, we should make our views explicitly known at this critical juncture before King and Govt took firm public position in contrary sense.

My remarks have, as Dept is aware, produced hysterical howl with Commie overtones from very newspapers which welcomed enthusiastically my pro-govt statement upon my return from Paris. While naturally somewhat disheartened by this demagogic press campaign in country for which we have done so much, I realize that it must be expected as our aid and leverage taper away and Grks feel themselves less dependent on us. Newspaper attacks, though affording satis similar to that of small boys throwing snowballs at school teachers, do not represent views of Grk people and will soon blow over. King, Venizelos and Vendiris have expressed to me their strong reprobation and Plastiras has issued public statement condemning newspaper attack.

More serious problem is how political crisis can be solved in such way as to foster political stability without jettisoning economic stabilization. Both Venizelos and Vendiris now assure us that (1) Govt

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2 George Papandreou, Leader of the Democratic Socialist Party, in collaboration with the Greek Rally, May 1952–April 1953.

3 Reference is possibly to NAC Action 330, June 3, 1949, on Sale of Gold Sovereigns by the Greek Government; and NAC Action 505, Nov. 13, 1951, on Gold Sales and the Restoration of Economic Stability in Greece. (NAC documents 88 and 186 in NAC files, lot 60 D 137, “NAC Actions 301–400 and 501–600”)

4 Plastiras’ statement of Aug. 26 disapproved of personal attacks by the Greek press against Peurifoy. On Aug. 27, Politis expressed to Jernegan his personal regrets for these attacks and asked that a Greek Embassy press release of that date setting forth Plastiras’ statement be given the widest distribution. (Memorandum, Aug. 27, by Jernegan, with Greek Embassy press release attached thereto; 123 Peurifoy)
will not remain in power but will resign after adoption electoral law and (2) rigged majority system sponsored by Rendis will not be adopted by Parl. We hope these forecasts are accurate but can feel no certainty. Venizelos states he plans to suggest secretly to Rally maintenance re enforced proportional system amended to permit parties obtaining 15 percent of vote to participate in second distribution of seats. We feel he may be argued out of this proposal by own supporters since it is questionable whether Libs wld obtain even 15 percent.

Vendiris has made strong plea to us for return to simple proportional system. He argues that Libs already so weakened that either majority or reenforced proportional system will oblige them to coalesce with EPEK and that their support plus that of many Commies might well lead to sweeping EPEK victory and gov't dominated by Papapolitis and his ilk. On other hand simple proportional system wld permit Libs to run independently in elections and thereafter to fol natural inclination by making alliance with right rather than left. While Commies wld obtain more seats in Parl they wld be isolated rather than blanketed under EPEK cover where they can do more damage. Vendiris stated frankly secondary reason for favoring this system is that it wld maintain stabilizing influence of Palace in political life whereas sweeping victory of Plastiras (and presumably Papagos) wld render Palace impotent. Vendiris also declared continued willingness to accept transitory govt but we expressed opinion favorable moment for this solution has passed.

 Peurifoy

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8Savvas Papapolitis, Minister of Commerce.

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No. 434

611.81/9-2552: Despatch

The Ambassador in Greece (Peurifoy) to the Department of State

SECRET

ATHENS, September 25, 1952.

No. 324

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1Drafted by Yost. The source text bears numerous handwritten comments, presumably by Porter, which are set forth in footnotes below.
Ref. Embassy despatch no. 234, August 29, 1952

Subject: Re-Assessment of United States Policy and Tactics Toward Greece

In light of the changing attitudes of the Greek people and Government described in the Embassy's despatch no. 234 of August 29, it is believed that certain modifications in U.S. policy and tactics toward Greece have become, or will shortly become, desirable. Possible modifications along these lines are suggested below for the Department's consideration. They are preceded, however, by a brief comment on the immediate political situation which requires separate treatment.

Immediate Political Problem

With a view to furthering political stability in Greece the United States has over a period of years urged the adoption of the majority system of elections. During the last few months, moreover, we have been urging, because of the extreme instability of the present Government, that elections under the majority system be held promptly. There is now a reasonable prospect that these objectives may be realized in the near future but a continued exercise of our influence may be required during the coming weeks for this purpose. Having so nearly reached this important goal it would seem desirable to continue, privately and discreetly, to exercise our influence upon the King and Government to insure that elections will be held as soon as possible after the enactment of the electoral law now being debated in Parliament.

...  

Long-Range Policy and Tactics

Assuming the existence of a friendly government in Greece, it is believed that our basic objective, in light of the change in our position outlined in despatch no. 234, should be to establish U.S.-Greek relations on approximately the same basis as our relations with other NATO countries.  

... If under the conditions which now

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2In despatch 234, also drafted by Yost, the Embassy in Athens recommended support for assumption by the Greeks of greater responsibility in the political, military, and economic fields; maintenance by the United States of "certain key controls" to safeguard its political and financial investment; exercise by the United States of all its political and military influence if necessary to isolate the Greek military from political warfare; firm exercise of U.S. influence from time to time to prevent serious deterioration in the political field; seeing to it that if elections were held, they were "carried out with impartiality and under fair laws and regulations;" reduction of U.S. control in the economic field as its economic aid was reduced; and facilitating the coming to power of a government which might take "certain drastic measures" to correct chronic inflation, measures which the sharp reduction of aid required. (611.81/8-2952)

3A handwritten notation indicates agreement with the statement under reference.
exist we endeavor to play the same role as heretofore, we are likely merely to engender increasingly serious friction without accomplishing decisive results. We should and presumably will be able to continue to exercise guidance and leadership of a very important character but it should tend to become increasingly fraternal rather than paternal.

There is set forth below a number of concrete suggestions for re-orientation of our policy over the coming months. Many of these suggestions involve the responsibilities of other agencies of the U.S. Government and will require careful study before they could be adopted. On the other hand, many of these suggestions embody points which have always been comprehended in U.S. policy toward Greece but which may have occasionally, in the heat of the moment, been neglected or forgotten.

1. To the extent possible U.S. influence in Greece should be exercised through NATO, OEEC or other multilateral channels rather than directly by the U.S. and its representatives in Greece.4

2. Direct expressions of U.S. views in regard to Greek matters should be concentrated on a relatively few problems which are vital to our interest.

3. Direct expressions of U.S. views should by and large be private and any public speeches or statements which it may seem desirable to make should not be critical of the Greek Government except in most unusual circumstances.

4. Expressions of direct U.S. views, whether stated privately or publicly, should be presented as tactfully as possible and in such a way as not to wound Greek sensibilities.

5. Expressions of U.S. views to the Greek Government should be put forward only at a high level. Subordinate officers of U.S. agencies should not be authorized, except when specifically designated in particular cases, to state U.S. policy to the Greek Government. One major source of irritation in our relations with the Greek Government has been the multiplicity of Americans at different levels who have demanded that the Government take this or that action.

6. In view of the fact that our economic aid and hence our economic responsibilities have declined very sharply, and that military responsibilities are more and more being taken over by NATO organs, it is believed that our economic and military personnel in Greece could and should be cut very sharply during the current fiscal year.5 Competent, energetic Americans retained in Greece will expect and want to do a job and, if there is not a job for them to do, discontent and frustration will be created both among the Americans and their Greek colleagues.

7. It should not be beyond the powers of American ingenuity to avoid any further "cuts in aid", since it is around this dramatic act

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4Handwritten notations indicate agreement with suggestions 1 through 5.
5Regarding suggestion 6, this paper bears the handwritten notation: "We have this under study. We may be able to avoid cut in Embassy personnel on ground that it will assume added econ. rep. functions if Mission is cut."
that bitterness against the U.S. inevitably takes shape. If the behavior in the economic field of whatever Greek government may be in power should continue to be reasonably satisfactory, as that of the present government has been for the last six months, economic aid for the second half of the current fiscal year should be a little higher than the Greeks anticipate, that is, than $40,000,000. This recommendation is made on political and psychological grounds and despite the fact that from an economic point of view no more than $40,000,000 may be needed. Any surplus at the end of the year can easily be carried over into the next year. In future years it is urged that means be found of lumping together all U.S. aid, military and economic, in such a way that it will be impossible or at least extremely difficult to separate out purely economic aid and to label it as another “cut”.

8. We will of course retain the control over the use of counterpart funds and must adjust the release of these funds to Greek performance in the broad economic field. It is urged, however, that our releases be relatively generous for purposes which are important to our over-all interests in Greece.

9. We should keep in mind that the two major economic objectives of U.S. policy in Greece are:

   a. To preserve the pro-Western political orientation of the Greek people through the maintenance of stable economic and political conditions and

   b. To make Greece more self-supporting so that the need for U.S. aid continuously declines. The latter objective is to be achieved primarily by:

1. Financial stabilization permitting an efficient use of Greek resources and

2. An increase in productivity, particularly, since Greece is an agricultural country, in the agricultural field.

We must take care that an exclusive concentration on tactic b.(1) does not lead to a neglect of objective a. or tactic b.(2).

12. Our important political objectives at the present time are:

   a. Maintenance of a government with a pro-Western orientation.

   b. Preservation of internal security through the firm exercise of political and police power against the Communists, and their instruments.

   c. A reasonable degree of political stability embodied in democratic institutions.

   d. Restraint on political passions likely, unless restrained, to lead to extreme solutions of political problems.

John E. Peurifoy
The Chargé in Greece (Yost) to the Department of State

TOP SECRET

ATHENS, November 19, 1952—3 p.m.

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PRIORITY

1659. Noforn. Ref Embtel 1620 Nov 14.2 Deptel 1666 Nov 18.3 Our efforts at least to delay reshuffle in Army High Command have proved fruitless.

I saw Papagos yesterday to congratulate him on victory4 and we had most cordial conversation in which he discussed with me cabinet list and explained his plans for immediate future and at end of conversation I set forth our apprehensions over sudden wholesale shifts in High Command, stressing, (1) importance of not interrupting close and effective NATO liaison established particularly with Grigoropoulos, and (2) our strong feeling, which we had forcibly presented to King and govt during Kritilakis affair, that General Hart should be consulted in advance about important military affairs.

Marshal replied that he had highest esteem for Gen Hart, that he desired to establish with Gen same intimate relations he had had with Van Fleet5 and Jenkins,6 and that he would be glad to discuss this particular matter with Gen that evening. He declared however, that he had made firm decision to oust Grigoropoulos, Tsakalotos, Pentzopoulos and Vasilas7 and that action would be

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1Repeated for information to Paris for Reinhardt and to Rome for Unger.

2Telegram 1620 reported that an Embassy representative informed Markezinis on Nov. 14 that in event of a Rally victory in the elections of Nov. 16 the Embassy in Athens hoped Papagos would make necessary changes in the Greek high command only after the passage of a sufficient period of time to avoid undesirable political repercussions within and without Greece. (781.00/11-1452)

3In telegram 1666, the Department suggested that Yost briefly mention the subject of the Greek high command in his next conversation with Papagos and tell him that Peurifoy intended to discuss it on his return to Greece. (781.00/11-452) Peurifoy left Athens for home leave on Sept. 26 and resumed charge of the Embassy on Dec. 22.

4Greek Parliamentary elections were held on Nov. 16 and resulted in the victory of 239 candidates on the Greek Rally ticket with 783,514 votes and 61 on the EPEK-Liberal Union ticket with 588,644 votes. The Communist-front EDA received 151,861 votes, 9.6 percent of the 1,592,212 valid votes cast, but failed to win a seat in Parliament. The Greek Rally received almost half of the total vote, but gained roughly 80 percent of the total of 300 Parliamentary seats under the plurality electoral system used. (Despatch 764 from Athens, Dec. 31; 781.00/12-3152)


taken as soon as he assumed office. He contended that Tsakalotos and Vasilas had involved themselves inexcusably in politics, that Grigoropoulos as responsible head of armed forces had failed to control them and moreover, by locking himself in room on famous night of May 30, 1951,8 had displayed notable lack of courage and that Pentzopoulos is a "vagabond". He declared Kitrilakis would be brought back, but that officers ousted for IDEA activities would not be reinstated and no other changes in mil leadership were contemplated. He concluded that he himself would assume Defense Min for few weeks after which it would be turned over to Canellopoulos.

Gen Hart saw Marshal last evening and approx same ground was covered. Papagos, while adamant on ouster of four generals, discussed replacements in cooperative fashion and accepted several of Gen Hart’s suggestions. Hart was on whole pleased with outcome of interview. Kitrilakis will be chief of NDGS and Tsigounis chief of army staff. Dovas9 and Balodimos10 will remain in present positions.

Gen Hart and I are convinced after our conversations with Papagos that he feels so strongly on this matter that nothing short of some sort of United States ultimatum, and possibly not even that, would prevent him from making these changes and making them immed. He obviously considers these generals as traitors to him who would, if left in office, prevent him from establishing effective control over armed forces. While believing changes undesirable from many points of view, we do not think their effect will be so serious as to justify on their account destroying our excellent relations with man who will be governing Greece for some time to come. Past experience with Marshal indicates that he will after brief period of transition, re-establish atmosphere of stability in Greek Armed Forces and maintain close and effective cooperation with NATO commanders.

In absence of instructions to the contrary therefore, we do not propose to press matter further.

Yost

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8Regarding the aborted coup by military officers belonging to IDEA, May 31, 1951, see the editorial note in Foreign Relations, 1951, vol. v, p. 475.
9Lt. Gen. Constantine Dovas, Coordinator for NATO Affairs at the National Defense General Staff.
The Secretary of State to the Secretary of Defense (Wilson)\(^1\)

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TOP SECRET

[WASHINGTON,] March 20, 1953.

MY DEAR MR. SECRETARY: I refer to Mr. Nash’s letter of March 16, 1953\(^2\) concerning military operating rights and facilities in Greece. The Department of State will seek to initiate negotiations to accomplish the Joint Chiefs of Staff’s requirements as soon as possible.

In view of the importance which both our Departments attach to the question of Status of Forces, and which led to the meeting between Assistant Secretary of Defense Nash with Deputy Under Secretary of State Matthews on March 16, 1953,\(^3\) I wish to reply immediately on that aspect to confirm the understandings resulting from that meeting. Such other questions as might arise from more detailed study of the enclosures to your letter can, I am sure, be worked out between representatives of our respective Departments.

The Department of State is ready and willing to try to establish with host governments arrangements which will result in the most authoritative, firm and extensive waiver of the primary rights of criminal jurisdiction available to them under the NATO Status of Forces Agreement\(^4\) which it is possible to obtain without prejudice to larger objectives. The means by which this goal is to be sought will of course depend upon the specific circumstances in each case. In some cases it may be appropriate to seek to accomplish this by written agreement. In other cases, to seek to accomplish a waiver in writing or by formal agreement may be prejudicial to the obtaining or maintaining of the rights sought, or may create political problems adversely affecting our foreign policy, while less formal arrangements might more truly serve the desired end. In assuming its responsibility to try to accomplish such arrangements, the Department of State will assume the concomitant responsibility of determining the manner and form which will best promote those ends.

I think that it is very important that the NATO Status of Forces Agreement be ratified, not only in the interest of establishing a
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\(^1\)Drafted by Wolf and cleared with John M. Allison (FE), Jernegan, Walter E. Pelton (L/C), Dulles, and Nolting.

\(^2\)Not printed. (711.56381/3-1653)

\(^3\)No record of this meeting has been found in Department of State files.

\(^4\)4 UST (pt. 2) 1792.
firm basis in the fields which it covers, but also because of the effect which that ratification will have upon the whole common defense effort of the North Atlantic Treaty Organization. I believe that our two Departments should make it clear that that agreement provides a reasonable workable basis which, standing alone, would be satisfactory as a measure governing the status of our forces stationed abroad. It would appear to be doing a disservice to the purpose of seeking additional rights and privileges, as well as deleteriously affecting the common defense effort and our foreign relations, if it were to be publicly disclosed that this government would seek additional rights and privileges on a non-reciprocal basis. It would seem that the only public reference to the policy discussed in this letter should be along the lines that we are confident that operating arrangements based on good relations between governments and between our military authorities and local authorities abroad will provide in fact an even greater measure of protection than the satisfactory legal guarantees established by the NATO Status of Forces Agreement.

Sincerely yours,

JOHN FOSTER DULLES

No. 437

781.00/3-2453: Despatch

The Ambassador in Greece (Peurifoy) to the Department of State

SECRET

ATHENS, March 24, 1953.

No. 1092

Subject: Conversation with Minister of Coordination Markezinis

At my request, Mr. Karamessines¹ and I met yesterday with Mr. Markezinis and discussed for over two hours his Government's policy toward the Communist-front party EDA.

We reiterated the concern which I had expressed to Mr. Markezinis on another occasion (Emb desp 993 dated February 27)² that, in spite of the vigorously anti-Communist convictions of Marshal Papagos and all his ministers, the Rally Government had not in fact taken steps to correct the unsatisfactory security situation inherited from the previous Government. We cited the facts (1) that

¹Thomas H. Karamessines, Attaché in Greece.
²Despatch 993 reported Yost's conversation of Feb. 25 with Markezinis on the Greek Government's tactics toward Communism and particularly on a recent call by Passalidis on Markezinis. Passalidis urged Markezinis to go to Moscow and negotiate a trade agreement rather than go to Washington to seek aid. (781.00/2-2753)
practically none of the exiles and prisoners released by the previous Government had been taken back into custody in spite of the fact that several of them are known to be dangerous Communists, that many have engaged in political activities since their release, and that more than 50 actually appeared as EDA candidates in the last election; (2) that Aυι, the EDA newspaper, continues to appear freely; (3) that the Prime Minister and Mr. Markezinis have on several occasions received and conferred with Passalides Chief of EDA, thus appearing to recognize him as a responsible political leader; (4) that no action has been taken against EDA itself or its officers in spite of the fact that it has been clearly established that EDA is an agency of the KKE. (In this last connection we referred to the Department’s inquiry on this matter contained in IAD dated March 3.).

We suggested that this apparent toleration of EDA and the Communists generally could have two unfortunate effects. First, it would facilitate the Communists in rebuilding their underground apparatus and developing its capacity for causing serious damage at the time of some future emergency, such as the outbreak of war. Second, particularly at a time when EPEK seems to be breaking up, many of these followers might be encouraged by the apparent toleration of EDA to join the ranks of the latter, whereas, on the contrary, repressive action against EDA on the part of the Government might well intimidate and discourage new recruits.

Mr. Markezinis explained at great length his philosophy and strategy in this connection. He emphasized that the Rally Government is of course very strongly anti-Communist, both internationally and internally, but that the tactics might differ in the two cases. Internally he did not consider the Communists as serious or as immediate a menace as the non-Communist Opposition. In spite of the huge majority and apparent strength of the Rally, the mercurial quality of the Greek people created the danger that at any time that majority might evaporate unless the people were convinced that no alternative existed except Communism. He, therefore, intends to continue to put forward regularly the slogan, which he announced in Salonika, that there is no alternative to the Rally but Communism. He is loath therefore to proceed against EDA at this time for fear that its dissolution might swing many of its supporters over to the Center which might thereby be enabled to win a series of by-elections and, conceivably, as a result to cause the downfall of the Government. In order to meet this danger, Mr. Markezinis had proposed, and Marshal Papagos had agreed, that there should shortly be introduced into Parliament a bill doing

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8Not found in Department of State files.
away with by-elections except in one-member constituencies. This would prevent, for example, a by-election in Athens which, though it might cost the Government only one seat, nevertheless might undermine its entire position. After this bill had been enacted into law Mr. Markezinis said that he would be quite prepared to recommend the dissolution of EDA, though he was inclined to feel that the Communists would merely substitute another front organization. He was also prepared, he said, as soon as he had dealt with the most pressing economic problems, to work out a long-range and really comprehensive anti-Communist policy. This would include not only the mild steps which we had mentioned but also a law providing for the elimination of the numerous “pinks” in government service and another law authorizing the Government to suppress not only Avyí but any other newspaper which followed a pro-Communist or anti-nationalist line.

We expressed some doubts about these more far-reaching measures which the Minister proposed, suggesting that the abolition of by-elections would subject the Government to very strong attack and was in our view not necessary for the maintenance of the Government in power; while the elimination of “pinks” from government service was desirable, this should not be conceived as a general cleaning out of all public servants with Liberal or EPEK leanings; and that he was certainly aware of the dangers of suppressing newspapers which might merely be anti-Government. Mr. Markezinis disavowed any intention of carrying his program to this extreme but did say that a firm decision had already been taken regarding the law abolishing by-elections.

We said that we would like to discuss with him later his long-range policy but would hope that in the meantime action could be taken promptly at least to place in custody the most active and dangerous Communists released by the previous Government and to suppress the EDA newspaper Avyí. We suggested that this action taken prior to his visit to Washington\(^4\) would enable him to answer any criticism which might possibly be addressed to him there in regard to the failure of the Rally Government to take the necessary measures in the security field. Mr. Markezinis said that he thought that it would probably be possible to take action along these lines before his departure.

\(^4\)In a letter to Pouriyof of Feb. 24, Papagos stated that he had decided to send Markezinis to the United States for a timely review of certain economic questions with a view toward more permanent economic planning for Greece. (Telegram 2572 from Athens, Feb. 26; 781.13/2-2655)
Embassy Comment

We are inclined to feel that, simply because we have made a considerable point of this matter, Mr. Markezinis will see to it that some action along these lines is taken before his American trip. It is quite clear, however, that we have not dissuaded him from his basic conviction that the main threat to the Rally Government's position and to his own comes from the Center and that his primary political objective, therefore, should be to destroy the Center, using the Communist's for this purpose insofar as it seems expedient. We shall continue to try to convince him of the unwisdom of this strategy but are far from sure that we shall succeed. It is clear that we must be careful that he not use our representations in regard to action against the Communist's as an excuse for enacting sweeping measures for a purge of the Civil Service and control of the press, which measures he would be likely to employ primarily to weaken the Center and its adherents rather than the Communists.

Other Matters

In the course of our conversation, Mr. Markezinis reported to us with pride that he had that morning, with considerable difficulty, persuaded the inner cabinet to issue sweeping and categorical instructions forbidding Greek vessels, not only from carrying strategic materials to Communist ports but even from calling at any such ports. (This is a matter on which the Embassy has been pressing the Government for some weeks.) Mr. Markezinis assured us that in the international sphere the US would always find the Rally Government prepared to go to any lengths which we desire in combating Communism.

Mr. Markezinis mentioned that Marshal Papagos is going to pay an official visit to Turkey commencing April 28 and returning May 2. Mr. Markezinis has proposed that Mr. Tsouderos be acting Prime Minister during the Marshal’s absence and that he be acting Minister of Coordination during Markezinis’ absence in the US. He said that it seems wise to conciliate Tsouderos and his group in this way, although he was taking precautions, by leaving instructions that the Currency Committee not be convened during his and Mr. Costanzo’s absence, to see to it that Tsouderos and Sir Theodore Gregory⁶ had no opportunity to upset the stabilization program. Referring to his proposal that Tsouderos serve briefly as acting Prime Minister, he said that he felt it wise that he, himself, refrain from publicly assuming the Number Two position in the Government at this time though later, after his economic program had

⁶British Member of the Currency Committee of the Bank of Greece.
been successfully completed, it might be desirable for him to accept the position of Vice Premier.

For the Ambassador:
CHARLES W. YOST
Minister-Counselor

No. 438

611.81/4-1058: Despatch

The Ambassador in Greece (Peurifoy) to the Department of State

SECRET

No. 1147

Athen, April 10, 1953.

Subject: Markezinis Visit to Washington

The visit of Minister of Coordination Markezinis to Washington will mark a very important stage in the development of Greek-American relations. Papagos and Markezinis are sincere friends of the United States and firm adherents to the global policy of resistance to Communism in which we are engaged. It is their desire closely to coordinate Greek with American policy and to follow our wishes to the fullest extent this may be feasible. Markezinis looks upon his visit to Washington as the concrete expression of this intention and of his desire that Greece should serve as a model for other countries in the loyalty and effectiveness with which it carries out our common policies.

On the other hand, as the Department is aware, both Papagos and Markezinis are sensitive and emotional personalities with a highly developed sense of their own dignity and of the historical and strategic importance of Greece. If they should get the impression that the US is taking them for granted, that it is using their determination in the military field and their success in the economic field as an excuse to reduce our aid and support to niggardly proportions, if they should feel that we are treating them less favorably than their predecessors who were unable to provide a stable government or a successful economic program and who have attempted and continue to attempt to blackmail the US in regard to the maintenance of Greek Armed Forces at present levels, if they should gain the impression that relatively well-to-do Western European powers are more successful in obtaining aid from the United States through a failure to stabilize their economies than is poverty-stricken Greece through stabilizing its economy, or that

1Drafted by Yost.
the United States is inclined to be more helpful to Communist Yugoslavia than to democratic Greece, it is altogether possible that they might overnight alter, not their basic orientation, but their tactics. We might well find that they would revert to inflationary devices in the economic field, that they would drag their feet on the many demands of NATO and the United States in the military field, that they would insist on a much more drastic reduction of US personnel in Greece than we would consider desirable and that the preponderant influence of the US in Greece would be weakened. It is for this reason that we would strongly urge the Department, on political, military and economic grounds, to do all in its power to make Markezinis' visit to Washington a success.

The accomplishments of the Rally Government are already substantial and the prospects for further achievement are excellent. For the first time since the war we have a stable government in Greece and, if we assist that government in retaining its position, there is every reason to believe that it will be able to remain in power for four years. In the military field, in spite of the public insistence of the Opposition that military forces must be cut in half, the Government has staunchly maintained that these forces must be maintained intact and even if necessary increased. New proposals for NATO and US military activities in Greece are under consideration and, if the present atmosphere is maintained, will almost certainly be approved by the Papagos Government. The tripartite pact with Turkey and Yugoslavia has been concluded with our encouragement and is being implemented in close association with NATO and US commanders. Papagos has confidentially informed us of his intention to offer additional Greek forces for service in Korea.

In the political field, the question of stability, on which progress in Greece in all other fields depends, has already been discussed. We have disagreed with the current tactics of the Rally Government toward the Communist front party in Greece, whereby the Government tends to tolerate this party as a means of weakening the Center Opposition and hence strengthening its own position. However there is no question that the Marshal and Markezinis are firmly and vigorously opposed to Communism, that they will take whatever measures are necessary to keep it under control and that their present tactics stem merely from the fact that they do not consider it a serious internal menace at this time. We believe that we shall be able to persuade them to modify their present tactics if our present friendly relationship is maintained.

In the economic field the Government has continued with even greater vigor than the previous government to carry out our stabilization program. They have accepted practically all our recommen-
Greece

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dations in this respect by taking radical measures to balance the budget, by restricting credit in spite of heavy pressure to relax, and by a series of necessary but unpopular measures.

The requests of the Rally Government for future US aid are not large or unreasonable. They feel assured of full utilization of the 80 million dollar economic aid for Fiscal '53. They are not disposed to quarrel seriously with the prospect that aid for next year will amount to 35 million dollars in new money plus a drawdown of 20–30 million from the pipeline. The sum and substance of their current request, on the outcome of which will depend Markezinis’ judgment as to the success or failure of his Washington visit, is the assurance that US aid will be available to complete the Government’s investment program. This program has recently been reduced, insofar as its foreign component is concerned, from 115 to 77 million dollars, of which perhaps 25 million might be obtained from the defense support grant already envisaged for Fiscal '54.

It is argued, with some cogency, that, particularly considering the beneficial effects on the balance of payments anticipated from devaluation, Greece will not need any further aid after 1954 to maintain the present standard of living of its population and to support its military effort at the current level. It is also pointed out that the proposed investment projects have not yet been formulated in sufficient detail to determine whether or not they are economically sound and wise and that there is serious question whether many of them are in fact sound and wise.

These caveats are well taken. However the following considerations must be kept in mind. First, the Rally Government, while politically strong, is by no means “monolithic.” It would be subject to rather rapid disintegration if it is not able to convince the Greek people that the drastic economic measures which it is taking will in fact lead to the betterment of their standard of living. The investment program has in the Greek mind become a symbol of hope for the future. If the Rally Government must take the responsibility for blasting this hope, its political fortunes will suffer heavily. It is for this reason that Markezinis will judge the success or failure of his Washington visit by whether or not he obtains some satisfaction in regard to the investment program.

Second, it would appear that the US policy of assisting in the development of under-developed areas would apply to Greece under any circumstances and is particularly applicable in view of Greece’s strategic position. The Greek Government is taking steps to encourage the investment of foreign private capital and we hope that some such investments will be made. It is doubtful however whether private investments will be large in the immediate future. While the proposed projects have not yet been formulated in every
detail nor provision for adequate Greek participation therein yet made, there is good reason to believe that at least some of these projects would be beneficial in increasing economic stability and ensuring that Greece will be self-supporting in the future in the absence of a serious world economic crisis.

Third, it should be noted that the military demands upon Greece from NATO and the United States have by no means reached their highest point. Many of these demands will require substantial drachmae expenditures by the Greek Government. Examples which may be cited are NATO's request for an expansion of personnel in the Greek Air Force, NATO's request for an accelerated training program for reserves, NATO's proposal for the rehabilitation of certain war vessels of British origin in Greek hands which are currently laid up, the proposal that Greece assume the full cost of common use items for the Greek Armed Forces, the upkeep of facilities which will be constructed under the infrastructure program, and finally the Greek share in the construction of certain additional facilities in which the United States military authorities are interested. If these additional expenditures are to be met over a period of years wholly or in part from Greek resources, rather than from the counterpart equivalent of continuing American aid, the best means might be by the development of the Greek economy through the carrying out of some of the proposed investment projects.

The Embassy understands that, in view of the desire of the Administration and the Congress to reduce expenditures for foreign economic aid next year, it may well be impossible to obtain for Greece a larger amount of grant aid than that already contemplated. On the other hand, the political, military and economic considerations outlined above will not be met by mere assurances that further aid for Fiscal '55 will be considered a year from now. Markezinis feels, and we believe rightly, that he must have some assurances at this time that he can go forward with at least a substantial proportion of his investment program, for the political reasons already set forth and in order to carry out successfully a very substantial internal loan which he expects to launch in September.

The Embassy would like to propose, therefore, that the Department explore urgently with the other interested agencies the possibility that the Export-Import Bank might be persuaded to extend, during Markezinis' visit but subject to certain conditions, a credit to Greece of about 25 million dollars. It could be stipulated that funds would be expended from this credit only as and if the Bank, after careful study of the proposed projects, should determine that they were of such a nature as to justify the expenditure of the Bank's funds under its charter. It might well prove therefore in practice
that only a part of the 25 million offered would ever be used. The burden would be placed on the Greek Government to demonstrate that the projects were sound and to arrange for the necessary Greek participation. At the same time, insofar as the balance of the foreign exchange required for the Greek Government’s investment program is concerned, the US Government might offer its good offices with the IBRD and recommend to that Bank that it send a mission to Greece in the immediate future with a view to determining whether additional funds for the program might be lent from its resources. At the same time the Greek Government could be encouraged to continue its efforts to seek private capital in the United States.

This may not be the only means of meeting the problem and the Department or other US agencies may have other suggestions which are more feasible. The solution suggested above, however, does have the advantage of providing a tangible achievement in this field which Markezinis could publicly announce upon his return to Greece, and yet of refraining from making any commitment of US funds for projects which have not been thoroughly explored and which may prove unsound. We believe that Papagos and Markezinis would be reasonably satisfied with such an outcome of the visit and that the political hazards of the failure of the visit would thereby be avoided. We do not feel, however, that the Greek Government would be satisfied nor that these political hazards could be escaped merely by a vague statement on the part of the US Government that it would “study” the Greek investment program with a view to determining in the future whether or not it could assist.

In conclusion, I should like to repeat most earnestly the very great importance which I attach to a successful solution to this problem. I believe that the manner in which it is resolved will very materially affect, and may even determine, our relations with Greece over a period of years. If those relations should deteriorate, the bill which the United States would have to pay in order to maintain its interests in this strategic country would be very considerably larger than the small amount now needed to maintain the present happy situation. I am convinced that this is very clearly a case where an ounce of prevention is worth a pound of cure.

JOHN E. PEURIFOY
Memorandum of Conversation, by the Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Jernegan)

CONFIDENTIAL

[WASHINGTON,] May 7, 1953.

Subject: Greek Request for American Aid for Development Program

Participants: Mr. Spyros Markezinis, Greek Minister of Coordination¹

The Secretary

Also Present: Athanase G. Politis, Ambassador of Greece

NEA: John D. Jernegan

Mr. Markezinis spoke at some length about the sacrifices being made by Greece to support large armed forces, emphasizing the relatively high proportion of the Greek national income expended for defense. He pointed out that Greece had the lowest national income of any NATO member, yet was spending the highest percentage for military purposes. He said that Greece intended to continue to maintain its forces and would even increase them if necessary. He insisted on the importance of Greece in the defense of Southeastern Europe and expressed the hope that a strong Greece, in collaboration with Turkey and Yugoslavia, could induce some of the Balkan Satellites to break away from the Soviet bloc. He thought this was a field of diplomatic activity to which we should devote great attention.

The Minister went on to say that Greece was anxious to stand on her own feet and was now in a position to offer something instead of merely asking for things. So long as there have been weak coalition governments in Greece, this had not been possible but the advent of the Papagos Government with its overwhelming Parliamentary majority had changed the situation. The Minister had with him a letter from Marshal Papagos to President Eisenhower² which was of the greatest importance and which he would deliver later in the morning. He urged that, after its delivery, the Secre-

¹Markezinis visited Washington May 5–9 and 14–16 to discuss economic questions, particularly plans for the economic development of Greece.

²Dated Apr. 29, not printed. (Eisenhower Library, Eisenhower papers, Whitman file) In despatch 1193 from Athens, Apr. 18, Yost informed the Department of State of the contents of Papagos' letter which Yost read in first draft at Markezinis' request. (781.13/4–1853)
tary read it carefully. It would show the lengths to which Greece was willing to go in support of the West.

However, Mr. Markezinis said, it was essential that there be compensation for the sacrifices which Marshal Papagos was asking the Greek people to make. Specifically they must have hope for better conditions to come in the future, and this must be held out through the implementation of an economic development plan. This plan, which we had worked out, called for the expenditure of about $230,000,000 over a four-year period. The equivalent of $130,000,000 would be supplied in drachmæ by the Greek Government itself. The remaining $100,000,000 was needed in dollars from American sources. He thought this was a very small amount to request in view of the importance of the objective and the amount of money the United States was making available to other countries.

What Mr. Markezinis wanted at this time was not a commitment that we would give Greece a specific sum of money; he understood that we could not make promises until Congress had acted on our appropriation request. What he did ask, most emphatically, was a general statement to the effect that we endorsed the development program and would give it our full support. Later we could talk about specific items and the amount of money required from the United States Government, but a general statement of support now would provide the necessary psychological impact in Greece. He pointed out that such a statement would not in fact bind us to anything and he remarked jokingly that Greece would not sue the United States to enforce the promise of support.

Mr. Markezinis handed the Secretary a memorandum describing his proposed development program, stating he had given a copy to Mr. Stassen yesterday. The Secretary glanced at a portion of it and remarked that our present desire was to see projects of this type financed so far as possible by the International Bank. We ourselves, the Secretary said, were having financial troubles and had not yet succeeded in balancing our budget. We preferred, therefore, to have the privately financed International Bank provide money whenever possible rather than to draw on appropriated funds through the Mutual Security Agency or the Export-Import Bank.

Mr. Markezinis replied that he was perfectly willing to consider financing by the Export-Import Bank or the International Bank but he must first of all have the assurance of United States Government support. As he envisaged the matter, part of the funds for

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3 Markezinis' 10-page memorandum, Apr. 29, stated that the development program would cost $287 million over the next 3-5 years and that Greece needed $118 million of this cost. (S51.00/5-2253)

4 No record of the Stassen-Markezinis meeting has been found in Department of State files.
the program should come from the United States Government, as those funds would be quickly available and would enable an early start. The remainder, perhaps the greater part of the total, could come from the two Banks.

In closing, Mr. Markezinis made an impassioned plea for positive American assistance, stressing the gallant nature of the Greek people and in particular the importance of giving concrete evidence of support for the Papagos Government. He said that if he returned to Greece and was able to say only that the United States Government had been friendly but non-committal, it would have a serious effect on the stability of the Greek Cabinet and on the attitude of Marshal Papagos toward the United States. He was sure that if he (Markezinis) were rebuffed here, Marshal Papagos would declare his intention to maintain Greece's alignment with the West and Greece's armed forces at their present level at any cost, but at the same time would renounce all special connection with the United States, terminating the MSA Mission to Greece and all MSA aid, etc. He would certainly do this if Greece were offered nothing more than a mere $20,000,000 in economic aid for the coming year. Such an attitude by Papagos would have very bad effects for the United States not merely in Greece but throughout the Middle East, where Papagos had great prestige. The Minister added that the Secretary's forthcoming visit to Greece would be very adversely affected.

The Secretary made no comment on these observations and merely promised to study the Minister's memorandum.

No. 440

Memorandum of Conversation, by the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Byroade)

SECRET

[WASHINGTON,] May 7, 1953.

Subject: Visit of Mr. Markezinis, Greek Minister of Coordination, with the President.

Participants: President Eisenhower
Mr. Markezinis, Greek Minister of Coordination
Mr. Politis, Greek Ambassador
Mr. Byroade—NEA

Mr. Markezinis, Minister of Coordination for Greece, and Ambassador Politis called on the President at 11:30, May 7th. They were accompanied by Assistant Secretary Byroade.
After exchange of pleasantries and the receipt of certain gifts sent to the President and Mrs. Eisenhower by the Greek Government, Mr. Markezinis handed the President a personal letter from Marshal Papagos. The President informed the Minister of Coordination that he was extremely pleased at the contents of the letter and the obvious spirit of the Greek Government which it portrayed. He told the Minister that he was particularly pleased with the last part of the letter which indicated that he could use the contents of this letter in any manner which the President deemed to be advisable. He stated that he thought certain portions of the letter might be very useful to us, particularly in our dealings with the Congress.

The President stated that the specific matters which the Marshal raised in his letter would have to be studied. He was not sure, for instance, whether we felt an additional base in the Greek area was in fact required. He also stated that we would look into the question as to whether more Greek troops were required in Korea, and if we felt that to be the case we would be in touch with Marshal Papagos. He asked the Minister to convey his personal pleasure to the Marshal for the type of letter he had sent.

The Minister then explained at some length the efforts Greece was making in its internal development program. He stated that he realized we could not commit the Congress to a definite figure on US assistance to Greece by any statement on this subject at this time. He felt, however, that a general statement of our support for their program would be beneficial and greatly help the Papagos Government. We could talk about specific figures at some later time. He stressed the urgency of agreement on such a statement, as Dulles, Stassen and he himself were leaving Washington on Saturday. The President replied that he would immediately be in touch with Mr. Dulles and Mr. Stassen and convey to them his pleasure at the type of letter Marshal Papagos had sent and ask them if they could work out some type of statement that would be useful to the Greek Government. The President then asked Mr. Byroade to follow this matter through.

1See footnote 2, supra.

2On May 9, Dulles and Stassen were to leave Washington for their visit to the Near and Middle East, May 9–29, 1958; see vol. xx, Part 1, pp. 1 ff. Regarding their visit to Athens, May 27, see Document 444.

3In a memorandum, May 8, to Dulles (781.5 MSP/5–853), Byroade proposed that the Department issue a statement reiterating the U.S. policy of helping to make the Greek economy self-supporting and indicating that, within the limits of Congressional action and technical feasibility, the United States would lend support to an economic development program in Greece. In addition, Byroade stated that a confidential aide-mémoire outlining in some detail what this meant would be transmitted to the Greek Government. (See Document 442.)
SECRET—PERSONAL

WASHINGTON, May 12, 1953.

DEAR JACK: In this between-Markezinis interval (he returns from Canada on Thursday\(^1\) for a few days), perhaps I can find time to give you a somewhat detailed account of those busy days last week when we were knee-deep in Greeks from dawn until far into the night. You can imagine most of it: the large delegation at the station to meet the large delegation that arrived from New York; the dinners, the luncheons, the cocktail parties; the briefings for Markezinis’ calls on Government officials, the arrangements for the gifts to be taken to the White House so that they could be presented to the President in the Minister’s presence; the protracted meetings in MSA when the content of an *Aide-Mémoire*\(^2\) and a proposed press release\(^3\) were haggled.

The real fireworks came on Saturday.\(^4\) We had contended until after eight o’clock the night before with Markezinis’ advisers over the phraseology of the two documents. To boil the problem down into its basic elements, the Greeks wanted a blanket approval of the government investment program which it had submitted, whereas MSA was willing to endorse the idea of an investment program subject to project review. Late in the evening I was able to dangle as a carrot in front of their noses the possibility that, if agreement could be reached early Saturday morning, it might be arranged that the Secretary could lead off his Saturday noon press conference, the final one before his takeoff that evening for the Middle East, by reading a statement on the result of Markezinis’ discussions in Washington. Markezinis recognized the public relations angle and indicated his willingness to accept certain of our positions which his advisers had rejected.

Bright and early Saturday morning we were busy with redrafting in preparation for a meeting at nine-thirty with Markezinis and company. By a little before eleven everyone was happy with the proposed draft of a press release which was immediately processed and sent to the Secretary with the recommendation that he

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\(^1\)May 14.
\(^2\)For text of the *aide-mémoire* handed to Markezinis, May 15, see *infra*.
\(^3\)Not found in Department of State files.
\(^4\)May 9.
read it at the outset of his press conference. At two minutes before twelve, as I was walking into the Department auditorium, I was snagged by a fifth-floor messenger who said that the Secretary wanted to see me immediately. In his office, with McCardle and McDermott, he expressed something considerably less than enthusiasm at the final paragraph of the draft release, saying that its implication of extending aid to make Greek economy self-supporting was contradictory to the line he had taken in Congress and the strong line he had taken with various other countries, particularly with France.

I tried to explain that MSA had agreed to a change in emphasis in Greece, that consideration would be given to sound development projects aimed at permitting a healthy Greek economy to support its own military effort, and that no more money would be involved than had already been appropriated and included in present requests for the next fiscal year. However, the Secretary was unimpressed, probably because Markezinis had talked to him steadily for 45 minutes when he called on him and had waxed both eloquent and emotional about the $100 million development program. Any encouragement, the Secretary seemed to feel, would lead the Greeks to think that we were morally committed to financing a program of such proportions. His last remarks as we went down on the elevator were to the effect that, as this was mainly an MSA matter, MSA could issue any statement it wished.

Well, you can imagine my state of confusion. With a statement cleared all the way through MSA and all the way through the Department with the exception of the Secretary, we had foreseen no last-minute snag and were prepared to issue the statement at the end of the press conference in the normal handout fashion, even if the Secretary had decided he did not wish to read it himself. Consequently, I gave a signal to Bill Porter as I went into the press conference to stop the telegram to you and to suppress the mimeographed copies of the release. Despite the fact that the Greek correspondents had been led to expect some statement, they did not have the opportunity during the press conference to ask the Secretary any questions.

Following a hurried conference with Hank Byroade and Jack Jernegan immediately afterward, it was decided that we should try to see the Secretary. We knew that he was leaving the Department at two and was taking off at seven on his trip; however, Jack, Charlie Yost and I managed to get in to see him at about one-thirty. It was apparent that the Secretary had had some rugged days with

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*MICHAEL J. McDERMOTT, SPECIAL ASSISTANT FOR PRESS RELATIONS, OFFICE OF THE SECRETARY OF STATE.*
Congress, which, as he pointed out, was in no mood to approve building a dam in Greece at the same time we were cutting down our own defense appropriations. It was touch and go for some little time, until the Secretary picked up a pencil and began playing with the wording of the final paragraph of the statement. Eventually he redacted that portion, changing one or two words at Jack's suggestion, but, when he tossed it to us as approved, we were so pleased to have something that we were not at all prone to quibble.

Concurrently with all this hassle, Bill Porter learned that Markezinis had already jubilantly cabled the unauthorized version to Papagos and that Greek correspondents had been given copies. Therefore, the next step, and one which filled us with dread, was for Charlie and me to take the new wording and break the news to Markezinis. We went through quite a session of histrionics. The Minister found himself more completely "exposed" than at any previous time in all of his political career—and through no fault of his own! He could not be responsible if the United States Government couldn't make up its own mind and stand by an approved text. He would have to tell Papagos that he was wrong in having cabled his acceptance of an American position from which we had now withdrawn. This new text he could not accept. He would resign. Papagos would in all probability tell the United States to take its money and its mission and go home!

We tried to reason with him (a posture a little difficult to assume at that moment), pointing out that the statement was after all a United States release and not a joint communiqué, that in our view it changed none of the substance of the understandings reached at a working level, that it would be not impossible to explain the appearance in the press of variant wording which had been considered during the drafting stages, and that the only way in which it could be interpreted as a defeat for him was for him to treat it as one. In the midst of all this, I had a telephone call from the Department reporting that the new wording was considered by MSA to have even fewer safeguards than the previous version and that they felt Mr. Stassen himself had to be consulted before it could be released.

Meanwhile, everyone was fluttering on the sidelines with luggage, telling the Minister he would miss his train to Canada if he didn't leave at once. His final Jovian bolts were (1) an ultimatum that he must have an immediate letter of explanation from the Secretary himself in order to protect his position with Papagos and
(2) an order to Pesmazoglou\(^6\) to remain in the Embassy without budging until such a letter was delivered.

By this time it was after four o'clock. With nothing to eat since early breakfast, Charlie and I retired to our house for a sandwich (and a drink) to lick our wounds and consider our next move. Hank Byroade, who had moved only the day before and whose new telephone had not been connected, could not be reached; so we decided to go to the airfield with the hope of telling him the story and suggesting that he seek the Secretary's authorization for some sort of mollifying letter which we could write after getting telegraphic authorization back from their first stop. As it turned out, the group at the airport was very small and family, with children and dogs running about and the Secretary arriving early. He called us over to ask about how we had come out with Markezinis, and, when he heard our tale of woe, beckoned Bedell Smith to join us. The upshot was an agreement that Smith would sign a letter on Monday morning.\(^7\) That document, which was for Markezinis' personal and confidential use with Papagos, I delivered to the Ambassador yesterday afternoon, after which the Ambassador phoned back to say that he had talked with Mr. Markezinis in Canada and that the latter had instructed him to convey his appreciation and the information that he was "very happy" about everything which had happened during his visit and had so informed his Government.

Thus ended another Greek tragi-comedy. For your personal information I am attaching the draft press release,\(^8\) the final press release,\(^9\) the agreed Aide-Mémoire,\(^10\) and a draft letter concerning the EPU allotment.\(^\text{11}\) These latter two have not yet been processed and formally delivered to the Greeks.

I well know the long history of your devotion to the cause of a Royal Greek visit to the States. You richly deserve to be the channel through which an eventual invitation is extended. However, we were unable to jar this project loose from the Department until we tied it up with the magnanimous offers contained in the Papagos letter which Markezinis was delivering to the President.\(^\text{12}\)

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\(^6\) John Pesmazoglou, General Director, Ministry of Coordination.

\(^7\) Dated May 11, not printed. (781.00/5-1153)

\(^8\) Not printed; there is no difference between the texts of the draft press release attached to the source text and the final press release.

\(^9\) For text of Department of State press release 255, May 9, on discussions of Greek problems with Markezinis, see Department of State Bulletin, May 25, 1953, p. 752.

\(^10\) Intra.

\(^11\) The undated draft letter to Markezinis for the signature of Fitzgerald (MSA) is not printed; it stated that MSA was prepared to make an allotment to Greece of $25 million in EPU special resources for the settlement of three-fourths of Greece's monthly deficits with the EPU.

\(^12\) See footnote 2, Document 439.
then the President did not broach the subject with Markezinis. It was not until the morning of the Secretary's departure that we were told on a very Top Secret basis that the Secretary was carrying with him a letter from the President inviting the King and Queen to visit the United States sometime next Fall.\textsuperscript{13} It is the Secretary's wish that Their Majesties have no hint in advance of this development. He wishes to be able to handle it as a surprise package when he sees them in Athens. It has been agreed that both Markezinis and Papagos be informed of the Secretary's intention, with the clear understanding that no one else be told. Charlie feels that both of these men can be trusted to respect the confidence. We have not yet had the opportunity to talk to Mr. Markezinis but will do so within a few days when he returns from Canada.\textsuperscript{14} At the same time we will ask him not to telegraph this information to Papagos for fear of a leak, and will explain that, realizing that the Prime Minister should of course, be apprised, you have been requested to do so in Athens. I sincerely hope that Papagos will agree to maintain strictest secrecy in order that the Secretary may be able to carry out his plan of giving the King and Queen a pleasant surprise without having the edge taken off by advance knowledge.

What with the presence of Charlie, Harry Turkel, Lee Barrows and Al Costanza, there are very few facets of the Greek scene which have not been kicked about during the past week. It makes most of us long to get an even closer look by coming to Athens ourselves.

Best personal regards.

Sincerely,

BILL

\textsuperscript{13}Not found in Department of State files. The amended draft letter was attached to the Department's copy of the memorandum, May 8, by Dulles to Eisenhower on the subject, "Letter of Invitation to King Paul and Queen Frederika of Greece." (781.11/5–858)

\textsuperscript{14}No record of conversation with Markezinis upon his return from Canada was found in Department of State files.
CONFIDENTIAL

AIDE-MÉMOIRE

On May 9, 1953, the Deputy to the Director for Mutual Security informed the Minister of Coordination of Greece, in connection with a discussion of United States assistance for further economic development in Greece, that:

1. The Government of the United States expresses its interest in and sympathy for the Greek Government’s desire to continue the economic development of Greece. Although the Government of the United States is unable at this time to make any firm commitment as to the aid which will be available in the fiscal year 1954 and subsequent years, it will give prompt consideration to proposals for the use of previously allotted MSA funds or such new funds as may be provided in the future for the initiation of justified new investment projects and will expedite the necessary procedures to this effect. The Government of the United States understands that the Greek Government’s investment proposals will be governed by the following:

   a. Priority will be given to the completion of investment projects now underway.
   b. Half the cost of each new project will be provided from funds other than United States aid.
   c. The Greek Government undertakes to maintain a level of public investment consistent with its economic and financial stabilization program developed in collaboration with the MSA mission.
   d. The Greek Government will assume the responsibility of completing projects initiated under the terms of this proposal.
   e. Individual projects will be justified and reviewed in terms of their economic soundness in collaboration with the Mutual Security Agency.
   f. Preference will be given to projects under private management in which there is a substantial private financial contribution.

The Government of the United States understands that the Greek Government will by the continuation of sound economic policies and the passage of appropriate legislation attempt to obtain

1 This aide-mémoire, drafted by Porter and cleared with Corbett and with E subject to oral statements as agreed with Jernegan, was an MSA document transmitted through the Department of State and handed to Markezinis on May 15.
private financing for economic development in Greece. The Government of the United States will assist the Greek Government’s efforts to interest American capital in investment possibilities in Greece.

WASHINGTON, May 15, 1953.

No. 443

781.5/5-2753

The First Secretary of Embassy in Italy (Unger), at Headquarters, Allied Forces in Southern Europe, to the Acting Director of the Office of European Regional Affairs (Parsons)

TOP SECRET

NAPLES, May 27, 1953.

DEAR JEFF: With Admiral Carney’s return to Naples, I have had an opportunity to get a more thorough and authoritative review of the circumstances leading up to Cy Sulzberger’s story on “atom aid” for the Greeks and Turks. You will recall that I sent you an excerpt from the records of the Ankara meeting and told you that there was no discussion of this subject in Istanbul.

It appears that this latter point requires some modification. Although the records of the Istanbul meeting do not reveal it, Admiral Carney states that the use of atomic weapons was touched upon in a discussion of the defense of Thrace. Various defense plans were reviewed by both the Greeks and the Turks for the benefit of the Admiral and his staff; they were evaluated and criticized by the NATO commanders; and they were correlated with the mission of the Sixth Fleet. In making this correlation, the planners were instructed to take into account the possibility of the use of atomic weapons and the present potential of the Sixth Fleet to deliver them. No “pledges” were, however, made.

In addition to this discussion, there had been a previous meeting in Athens on April 1 between Carney and his staff on the one hand and the Greek National Defense General Staff on the other, reviewing the same ground later covered in Ankara. The record on the atomic weapons item reads as follows:

“Implications of atomic weapons in NATO plans and programs

Admiral Carney said that although the authority to release a limited amount of information on atomic weapons had not been re-

1After meeting with Kanellopoulos in Paris on Apr. 28, Sulzberger wrote that Carney secretly promised strategic and tactical atomic support to Greece and Turkey in event of war. (Sulzberger, A Long Row of Candles, p. 867)

2Not further identified.
ceived until CPX-2, a small group at HAFSE has been working on the subject for a long time. As soon as SHAPE directives are received, CINCSOUTH intends to interpret them as they affect the Southern Command and to issue appropriate directives to all commands and countries. Action will be initiated to review the remainder of the 1953 training program in order to give greater emphasis to the use of atomic weapons, and the entire 1954 program must be constructed with this in mind. As the capability for the use of atomic weapons in support of tactical operations is developed, a more aggressive viewpoint in planning must be taken. All Services must plan and train for the offensive use of the weapons as well as defense against them. Civil Defense against an atomic attack must be given great emphasis. The Admiral added that although it is politically and budgetarily attractive to believe so, the availability of atomic weapons in no way justifies a reduction of forces. It is extremely important that General Kitrilikis make this point clear to Minister of Defense Canellopoulos. General Schlatter pointed out that the planning for the use of atomic weapons is very similar to planning for other weapons and that tactical commanders are primarily interested in the type of targets which can be attacked and the weapons’ effect. The General pointed out that the use of the weapons increases the requirement for flexibility in the use of aircraft and in logistics support at air fields. General Byers said that there will be four courses in atomic training, one for General officers of three days duration which will begin on 28 April. Courses for Staff officers will begin in early May. Allocation of spaces is now being made in Naples and General Kitrilikis will be informed as soon as possible, possibly by the end of this week (4 April).”

As this excerpt indicates, these discussions all stem from material which was released to officers from NATO countries and considered at the CPX-2 Paris Conference (March 7-14). At that conference, the US disclosed (in an off-the-record session) that it had developed certain new tactical as well as strategic atomic weapons and that these had been tested for both defensive and offensive purposes in conjunction with troops and standard military equipment. No “pledge” was made to place these weapons in actual service for NATO, although it was understood that future NATO planning would take them into account. Admiral Carney points out that authority for the release of further information on this subject has been delegated by US authorities only to SACEUR (and perhaps SAACLANT) and does not extend to any subordinate commanders such as CINCSOUTH. It is not necessary to point out that CINCSOUTH does not enjoy the authority to “pledge” atomic support to any of our allies.

So much for the background on the story. Where Sulzberger picked up the information is difficult to say. The Admiral has felt full confidence in the security practices of both the Greek and Turkish General Staffs and has no reason to attribute the leak to them. He knows, as doubtless you do, that Sulzberger has very good sources, particularly in Greece. Further than that he does not care to speculate and I doubt that speculation would be of much value to us at this time.

I think you should not overlook the possibility of pure, unadulterated deduction as a factor in this article. Several of the facts, such as Turkey's alleged preoccupation with the Caucasus at the expense of Thrace, are not accurate and do not demonstrate a perfect pipeline to the Truth. The fact of the Paris dateline might add more than a little substance to the possibility of pure "period prospecting" as distinct from fully informed reporting. At any rate, I think we have exhausted pertinent information here and can offer you no more enlightenment than those items recited above.

LEONARD

No. 444

611.81/5-2853: Telegram

The Ambassador in Greece (Peurifoy) to the Department of State

SECRET

ATHENS, May 28, 1953—4 p. m.

3476. Subject: May 27 conversation of Secretary and Mr. Stassen with Prime Minister and other members Greek Government.

A. Secretary and Prime Minister.

1. In conversation May 27 which lasted one hour Prime Minister:

(a) Expressed appreciation United States leadership in struggle against USSR and personal contribution Secretary and stated Greek Government and people prepared make any sacrifice required to protect independence and support common defense effort.

(b) Emphasized importance public psychology and need free people be prepared new sacrifices. Greek people understand that geographic location and strength adversaries require them make sacrifices in support of extraordinary large forces. Strong, homogeneous government has not hesitated take unpopular and even harsh measures when required.

(c) Expressed deep concern that unless free nations are united and pursue objectives through common firm policy, Soviets may succeed efforts shatter unity Allies or in disrupting rhythm rearmament. Recent Soviet tactics should be met with reserve. Consid-

1For a memorandum of conversation by Schnee, May 27, on Dulles' meeting with Papagos, see vol. ix, Part 1, p. 154.
erred it significant that Bidault, who visited Athens after Churchill foreign policy speech, stated indications allied disunity should be avoided all costs.

(d) Re military cooperation with Yugoslavia and Turkey, stressed role Balkan front would occupy in event hostilities, pointing out that given matériel support, front could become theater of active operations threatening flank Soviet Armies Europe. Italian-Yugoslavian rapprochement would further strengthen area. His conversations with De Gasperi and Popović indicate they both appreciate value such rapprochement and Prime Minister believes Trieste situation may improve after Italian elections.

(e) Strong plea for representation in MEDO, “at least symbolically as in Korea”. If not represented in some capacity, Greek people would react unfavorably. Problem will be more difficult if headquarters established Cyprus. Government following realistic policy re Cyprus, but no Greek Government can afford ignore this issue.

2. Secretary in turn extended greetings President, cleared with Prime Minister invitation King and Queen visit United States in fall, expressed thanks for new Embassy site, referred conversations with Markezinis (this came at close of meeting and there was no opportunity discuss economic questions although Prime Minister remarked that economic aid could not continue indefinitely and that Greece only wanted assistance to permit it become self-supporting) and made following substantive comments:

(a) Personal letter from Prime Minister to President. Expressed President’s deep appreciation these proposals and said United States views would be forthcoming. In particular United States appreciates offer augment Greek forces Korea; decision will depend on current discussions Korea. When Papagos observed that “borders of Greece are where fighting is going on”, Secretary commented fine spirit Marshal which, if shared by others to same extent, would strengthen free world.

(b) Soviet Union. United States recognizes possibility fundamental change, but evidence to date indicates change tactics only. These tactics designed weaken resolution free nations and should be thwarted. Prime Minister agreed.

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3The statement by Bidault, who visited Greece on May 15, has not been further identified.

4De Gasperi visited Greece, Jan. 8–12, 1953. During his stay in Athens, he had discussions with Papagos and Stephanopoulos and was received by King Paul. (Keesing’s Contemporary Archives, 1952–1954, vol. IX, p. 12082)

5Popović’s conversation with Papagos has not been further identified.

6During his visit to Greece, Dulles extended on behalf of Eisenhower an invitation to the King and Queen to visit the United States in the autumn of 1953. (Department of State Bulletin, June 8, 1953, p. 818)

7Regarding Markezinis’ visit to the United States, see Documents 438–442.

8See footnote 2, Document 439.
(c) Re Prime Minister reference to "rhythm of rearmament", Secretary stated adjustments in United States defense budget designed achieve rate rearmament which can be sustained over period time. President Eisenhower in 1951 had expressed philosophy of relationship between military forces and productive capacity behind them. Some slight adjustment may be necessary to achieve balance. This became United States policy after elections. United States still devoting 60 percent budget to defense, but wishes avoid inflationary prices which would make maintenance defense effort impossible. Not by single dollar do United States budget adjustments reflect weakening defense effort in response recent Soviet tactics. Morale factor, which Prime Minister correctly rated of great importance, also requires that attention be focused not only on defense build-up, but also on economic and financial factors.

(d) MEDO. During course trip Secretary gained impression MEDO will proceed slowly and therefore, it not yet in order consider site of headquarters. If there should be consideration of site which has so much historical significance Greece, views Greek Government will be considered.

(e) British-Egyptian difficulties present very disturbing problem and we must all exert maximum influence prevent hostilities. Prime Minister readily agreed.

(f) Secretary expressed appreciation for Greek initiative in strengthening Balkan defense and agreed with concept of offensive strategy.

(g) US appreciation of fact Greece has strong government capable of making important military contribution and of taking necessary action economic field.

B. During conference Foreign Office Minister and Ministers Coordination, National Defense, Commerce and Finance, Secretary again emphasized necessity find proper balance between economic and military effort. Stressed United States welcome economic planning by Allies which would permit cessation United States aid. Stassen pointed out Greece presently in strong position because of large pipeline of military and economic aid from previous appropriations. Economic aid could be used start new capital investment projects where projects approved and within limits of funds available. Pointed out that present administration as matter of policy relies on private sources to finance capital investment programs to maximum extent and that while interest United States in future economic and military developments continues, major responsibility rests on people and government in Greece.

Minister National Defense made plea for re-examination of growing Greek military expenditures resulting NATO obligations and for additional equipment for Greek Army which was to serious dis-

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Footnote: 9 For a memorandum by Anschutz, May 27, on Dulles' meeting with Stephanopoulos, Tsouderos, Kanellopoulos, Thanos Kapsalis, Minister of Commerce, and Constantine Papayannis, Minister of Finance, see vol. ix, Part 1, p. 160.
advantage vis-à-vis Bulgarian forces, particularly in regard tanks and artillery.

Aide-mémoire setting forth Greek views on MEDO submitted at conclusion conference.\textsuperscript{10}

\textbf{PEURIFOY}

\textsuperscript{10}Dated May 27, it emphasized the importance of Greek participation in any Middle East defense organization. (611.80/5-2953)

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**No. 445**

Eisenhower Library, Eisenhower papers, Whitman file

\textbf{Memorandum of Discussion at the 148th Meeting of the National Security Council, Washington, June 4, 1953}\textsuperscript{1}

\textbf{TOP SECRET} \hspace{1cm} \textbf{EYES ONLY}

The following were present at the 148th meeting of the Council: The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Deputy Secretary of Defense; the Director for Mutual Security. Also present were the Secretary of the Treasury; the Attorney General (for Items 2 and 3); the Director of Defense Mobilization; the Director, Bureau of the Budget; the Acting Chairman, Atomic Energy Commission (for Item 2); the Acting Secretary of Commerce (for Items 4 and 5); the Secretary of the Army (for Item 2); the Secretary of the Navy (for Item 2); H. Lee White for the Secretary of the Air Force (for Item 2); Lt. Gen. Idwal H. Edwards, Chairman, Special Evaluation Subcommittee of the NSC (for Item 2); Walter S. De Lany, Office of the Director for Mutual Security (for Item 4); Kenneth R. Hansen, Office of the Director for Mutual Security (for Item 4); General Collins for the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Deputy Director of Central Intelligence (for Item 2); . . . ; Robert Cutler, Special Assistant to the President; Lewis L. Strauss, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; the NSC Representative on Internal Security (for Item 2); . . . ; Herbert Blackman, Department of Commerce (for Items 4 and 5); the Military Liaison Officer; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

[Here follows discussion of agenda items 1–6 on the situation in Korea, Soviet atomic energy capabilities, summary evaluation of the net capability of the U.S.S.R. to inflict direct injury on the United States up to July 1, 1955, effect on national security inter-

\textsuperscript{1}Drafted by Gleason on June 5.
ests in Latin America of possible anti-trust proceedings, review of economic defense policy, purchase or sale of strategic commodities abroad for shipment to the Soviet Bloc, and the position of the United States with respect to the Communist threat to Italy.]

7. Greek Offer of Additional Troops for Korea.

Secretary Dulles questioned the desirability of accepting this Greek offer, in view of the present status of the Korean negotiations.

The President stated emphatically that, regardless of the armistice in Korea, he was anxious to have these additional troops there, since they would relieve American boys and could be maintained cheaper.

Secretary Dulles was worried that this offer was tied directly to a simultaneous Greek request for additional economic aid.

The President stated that as far as he was concerned, these were two entirely separate matters.

The National Security Council:

Noted the President’s desire that the offer of additional Greek troops for Korea be accepted in militarily feasible units, with the understanding that such acceptance does not involve a commitment by the United States to provide additional economic aid to Greece.

Note: The above action subsequently transmitted to the Secretaries of State and Defense for implementation.

[Here follows discussion of agenda item 8 on NSC status of projects.]

S. Everett Gleason
James S. Lay, Jr.
President Eisenhower to Prime Minister Papagos

WASHINGTON, June 5, 1953.

DEAR MR. PRIME MINISTER: I was happy indeed to receive your thoughtful and friendly letter of April 29, 1953, which Mr. Markezinis brought to me. I have refrained from replying until Mr. Dulles, with whom I discussed your letter prior to his departure, could give me his impressions of his recent trip to Greece and other countries.

The sentiments you express in your letter indicate that the bonds of friendship which unite our two peoples are strong and enduring. It is a matter of particular pride and comfort to know that a people with the glorious history and achievement of the Greeks stand resolutely at the side of the American people and face with them the problems which confront the free world today. Your understanding of these problems makes it clear that Greece is fortunate to have such a leader as yourself as the head of her Government.

I understand Mr. Dulles discussed with you in Athens, in the light of the present truce negotiations, your generous offer to recommend an increase in the number of Greek troops now fighting in Korea at the side of their United Nations allies. As I indicated to Mr. Markezinis, our awareness of your efforts to place the economy of your country on a sound footing makes us all the more appreciative of your willingness to increase your own burden in Korea. On behalf of the United States, which bears the responsibility for the Unified Command in Korea, I accept this offer. I am informed that the Department of State will communicate with representatives of your Government in order to make the necessary arrangements for utilizing additional troops in Korea.

#1Drafted by Porter and cleared with Baxter, Jernegan, Wainhouse, Wolf, Nolting, and Nash (Defense). Transmitted to Dulles with a covering memorandum, June 2, by Byroade, and then forwarded to Eisenhower with a covering memorandum, June 4, by Dulles. (611.81/6-253) A covering letter, June 5, by Dulles instructed Peurifoy to emphasize to Papagos that acceptance of additional Greek troops for Korea did not commit the United States to provide additional economic assistance to Greece. When Peurifoy delivered Eisenhower's letter on June 11, he pointed out that the prospective $20 million economic assistance for Greece in fiscal year 1954 referred only to new money and that Greece, with a very large pipeline of goods purchased with American funds, would have much more aid available in the coming fiscal year than was suggested by the new aid figure. The Embassy in Athens reported that Papagos seemed quite satisfied with the prospective level of economic assistance. (Despatch 1444 from Athens, June 15; 781.5 MSP/6-1553)

#2See footnote 2, Document 439.
I believe that your intention to maintain Greek armed forces at their present strength, and to increase them if necessary, is a very wise decision. Although, as you note in your letter, there is much talk of peace, I have repeatedly said that we must not permit such talk to deceive us. We are far from certain that the originators of this peace talk intend to back up their words by deeds, and my frank opinion is that only a strong military posture on our side will induce them to do so. I therefore welcome your assurance that the fine fighting forces of Greece, whose valor has been praised since the earliest days of history, will be kept intact.

I deeply appreciate the considerations which have led you to offer to recommend that your King and Government accept a proposal for base rights for American armed forces in Greece. It is gratifying to receive this further evidence of the acute awareness of the Greek nation to the threat to the free world and this demonstration of its willingness to continue to contribute to the collective effort to prevent aggression. We are now studying the requirements for base rights in support of NATO plans and your generous offer will be considered in this connection. When this study has been completed we shall be in a position to explore this matter further with you.

I wish also to express to you my thanks for the fact that your Government is making common cause with us in our efforts to secure closer collaboration among our European allies. Like you, I am a firm believer in the old adage that in unity there is strength, and I would like at this point to praise the wisdom and statesmanship of your Government in pursuing and achieving a pact with your friendly neighbors which adds much to the common security in southeastern Europe. The determination with which your Government followed this aim deserves the highest praise, especially when considered in the light of recent history. Under an enlightened leadership, Greece cannot fail to play an increasingly important role in world affairs. Certainly, as matters stand, she is a beacon of hope to all lovers of freedom.

I extend to you and to Mrs. Papagos the very best personal wishes of Mrs. Eisenhower and myself. We hope and pray that God will continue to bless the great work you have undertaken in behalf of your country.

Sincerely,

Dwight D. Eisenhower
The Ambassador in Greece (Peurifoy) to the Department of State

TOP SECRET PRIORITY

ATHENS, July 13, 1953—3 p. m.

121. When I called on Papagos and Stephanopoulos to present request for Cannon’s agrément (reference Embtel 118, July 13),\(^1\) Marshal, who had already learned of impending change from Greek Embassy in Washington, was in more belligerent mood than I have ever seen him. He opened conversation by saying, “we know who is responsible for this” and then launched into diatribe against Palace, and particularly against Queen, whom he accused of intriguing against me over long period and even of urging Secretary during his recent visit to Greece that I be recalled. Papagos declared that time had come to determine whether constitutional Government of Greece or Palace had decisive influence over Greek relations with US and that “this means open warfare between Palace and government.

He indicated intention to leak to press immediately story that Queen was responsible for my removal. I strongly urged him not to do so and finally obtained assurance that he would not. In view of fact, however, that he has already sounded off along same lines to several of his Ministers, it is not unlikely story will leak before too long.

Marshal also declared his intention of writing letter for immediate despatch direct to President Eisenhower.\(^2\) He intends to transmit letter through channels other than Greek Embassy since he does not trust Politis, whom he will remove from Washington very shortly. I strenuously objected to this proposal pointing out such action would only be keenly embarrassing to me.

As Department will observe, revival of smoldering but recently dormant warfare between Palace and Marshal, and over issue highly embarrassing to US, and to me personally, seems imminent. (See Embdesp 11, July 3.)\(^3\) Such development would be harmful to

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\(^1\)In telegram 118, Peurifoy reported that he transmitted to Stephanopoulos the request for an agrément by Greece on Cannon as next Ambassador to Greece on July 10, and Stephanopoulos assured him that the Greek reply would be shortly forthcoming. (123 Cannon, Cavendish W.) Agrément to Cannon’s appointment was announced by Stephanopoulos on July 17. (Telegram 174 from Athens, July 17; 123 Peurifoy, John E.)

\(^2\)Papagos dispatched a letter to Eisenhower via the Greek Embassy. (Telegram 141 from Athens, July 15; 123 Peurifoy, John E.) Papagos’ letter has not been further identified.

\(^3\)In despatch 11, Peurifoy reported on a recent conversation with Markezinis who expressed his views on the situation in Greece, including developments in relations

Continued
political stability in Greece, so recently achieved with our help, and
to Greek-US relations.

In view Papagos’ extreme sensitivity to any encroachment on his
personal authority and possible serious local political implications
of open collision between Papagos and Palace, I would like to be
able assure Papagos Palace did not directly or indirectly approach
you, notwithstanding fact it is widely known in high Athens circles
that Palace has long hoped for my removal.4

PEURIFOY

between the Palace and government, after his return from the United States on
June 9. Peurifoy informed the Department of the need for extreme caution in order
to avoid being drawn into a personal contest between the Palace and the govern-
ment. (781.00/7-353)

4Telegram 162 to Athens, July 16, informed Peurifoy that he might assure Papa-
gos that the Palace made no approach directly or indirectly regarding Peurifoy’s
recall. (123 Peurifoy, John E.)

No. 448

711.56381/8-1453: Telegram

The Chargé in Greece (Yost) to the Department of State1

TOP SECRET NIACT

ATHENS, August 14, 1953—6 p. m.

431. Noform. Reference Embassy telegram August 11, sent De-
partment 387.2 Prime Minister called me in this morning to say
that, after consultation yesterday with His Majesty, he was happy
to inform me Greek Government accepted unreservedly United
States proposal for establishment military bases in Greece. He said
he considered this historic event of greatest significance to both
countries. He then added that he desired to issue immediately fol-
lowing press communiqué:

“With deep satisfaction, I declare, that following a request from
the United States Government, the Greek Government in full
agreement with His Majesty the King have decided to grant air
bases for United States forces. As soon as the negotiations for all
details will be finished, the Greek Government will submit to the
Chamber the pertinent law according to the Greek constitution.

1Transmitted in two parts and repeated to Frankfurt for Satterthwaite and CIN-
CEUR, to Paris for USRO and Reinhardt, to Rome for Maffitt, to London for CINC-
NELM, and to Wiesbaden.

2Telegram 387 reported on Yost’s discussion of the proposed military facilities
agreement with Papagos on Aug. 11. (711.56381/8–1153)
The above agreement—clearly of a defensive nature—is another proof of the indissoluble bonds of friendship which exist between the two countries and firmly assures the security of the country".

I signified deep appreciation for prompt and sweeping acceptance of our proposal. I expressed serious doubt, however, whether my government would wish to make public announcement so rapidly, pointing out that coordination with NATO was involved and that there might be other factors in our foreign relations which would make immediate announcement untimely. Marshal replied that British will be strongly opposed to this agreement and will, as soon as they hear of it, do everything in their power to sabotage and delay. These obstructions might unfortunately have considerable success. He therefore expressly wished to confront British and NATO with fait accompli.

After considerable argument, he reluctantly agreed to postpone press release in order to give me opportunity to obtain views of my government. He hopes to receive our reply in two or three days. He would not object to NATO Council being given prior notice of agreement by United States and Greek representatives, provided its concurrence was not asked and public announcement was made immediately thereafter.

After meeting with Marshal, at which Stephanopoulos and Markezinis also present, latter gave me following additional explanation. He emphasized earnestness of Marshal’s and his conviction that British will do all in their power to obstruct agreement and may succeed in creating interminable delays, whereas otherwise he would hope that detailed bilateral negotiations by our two governments might be concluded within two or three weeks. He also urged that, once King is informed, as Greek constitution requires, security can no longer be assured and facts may leak to public in near future. He even suggested King might inform Mountbatten today since these two are expected to meet in earthquake area.  

On positive side, Markezinis urged that immediate announcement this agreement would have most salutary effect in checking spirit of apathy and appeasement now prevalent in Europe. It would warn USSR, he argued, that we are not slackening our defense, it would hearten those in western European countries who are opposing excessive reduction in military programs and would strengthen hand of United States in negotiating for bases in other countries.

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3Adm. Louis F. Mountbatten, Earl of Burma, Commander-in-Chief, Allied Forces, Mediterranean.
4In the Ionian Islands.
We of course realize that there may be factors in our general foreign relations which would make it unwise for an announcement of this kind to be issued at this time. Solely from the local Greek point of view, however, we would hope we might be able to agree to joint announcement in very near future, perhaps after appropriate notification to NATO. Greek Government has accepted our proposal with great enthusiasm (though they have not yet studied detailed agreement) and has feeling of having taken historic decision of greatest significance. If we cool their enthusiasm by insisting upon considerable delay in public announcement, we run risk not only of possible interference of other powers to which Papagos refers, but also of causing Greeks to be infinitely more sticky and demanding in ensuing detailed negotiations.

If we do decide to go ahead promptly, however, we should have one point clearly in mind. When we first proposed this matter to Papagos he emphasized repeatedly that Greece could not assume any military burden over and above what it already bears and therefore could not commit itself to additional expenditures as a result of this agreement. All American representatives here are agreed that Marshal is correct in stating Greece cannot increase its military expenditures. Additional burden imposed by most disastrous earthquake in modern Greek history redoubles force of this judgment. If we proceed with this agreement therefore we should recognize that United States would have to assume all or practically all of costs involved. If Greek Government did contribute land and utilities, as draft agreement envisages, we would be expected to provide compensatory assistance in some other field. In their present mood, Greeks would probably accept without too much quibbling, agreement along lines draft despatched by Department, but they would expect in return definite understanding we would cover or compensate for costs not already provided for in Greek budget.

In summary, we would recommend concurrence in early release of joint announcement provided external factors do not rule it out and provided we feel mutually satisfactory financial arrangement can be worked out later.

Yost
SECRET

ATHENS, August 22, 1953—5 p. m.

550. Noforn. Reference Embassy telegram 431, August 14. For negotiations on bases Prime Minister designated Markezinis to discuss "high policy aspects" with me and Ministers of Defense and Finance to carry on detailed negotiations with US team. Both groups had initial meetings yesterday. Discussions of second group are being reported separately.3

Gist of Markezinis remarks to me follows. Strong support which US and NATO are obtaining from Greece in wide variety of fields including bases, troops for Korea, maintenance of disproportionately large standing army, et cetera, is conceivably only under Rally Government. Alternative to Rally is unstable center-left center coalition led by Papandreu and Kartalis, which would certainly not carry out these measures. Factor which will determine whether Rally Government remains in power for four years or breaks up sometime during next twelve months will be whether its economic program is successful in improving to modest extent well being of Greek people. Basic difficulties arising from Greek poverty and military obligations are enhanced by earthquake disaster.

Markezinis, therefore urges US Government do all in its power, particularly during coming year, to assist in meeting Greece's economic problems. He mentioned specifically following possibilities: (1) expenditure of funds available for bases in such way as to maximize benefits to Greek economy, (2) application of military aid to projects, such as roads, also having economic significance, (3) whole-hearted cooperation of FOA in assisting prompt realization of some important elements of investment program, (4) new aid specifically earmarked for repairing earthquake damage, (5) Eximbank loan, (6) encouragement to IBRD and private investors to place capital in Greece. Markezinis concluded by saying that, regardless of whether such assistance is forthcoming, Rally Government will endeavor to continue its close support of US but that if

1Repeate for information to Frankfurt for Satterthwaite and USCINCEUR, to Rome for Maffitt, to Paris for USRO and Reinhardt, to London for CINCNEELM, and to Wiesbaden.
2Supra.
3Telegram 554 from Athens, Aug. 22, reported on the first session of the Greek and U.S. teams negotiating for a military facilities agreement in Athens on Aug. 21. (711.56381/8-2253)
government fails and is overthrown many of programs in which we are interested will in fact not be carried out.

It is, of course, clear that Markezinis is taking advantage of base negotiations to seek increase in US aid and thus strengthen position of his government. He has been careful, however, to accept our base proposal in advance and hence not give impression of attempting blackmail. Moreover, his basic thesis, that we could expect to receive only from Papagos-Markezinis government strong support of character now being accorded, is undoubtedly correct. Government based on present opposition parties would reject or stall off some of requests being granted by present government and would exact high price in advance for acceding to others.

We, therefore, believe that it is definitely in US interest, without openly aligning ourselves with Rally Government and without granting Markezinis more extravagant requests, to use means at our disposal for assisting, to reasonable degree, in meeting government's economic problems. Closer US-Greek military collaboration arising from base agreement and humanitarian appeal of earthquake disaster should provide justification for such policy. We hope Department will urge action along these lines upon other interested US agencies.

In this connection, any cut in FY 1954 aid figure below expected $20,000,000 (Dept 617, August 21) would cause intense embarrassment to Greek Government and, coming immediately after earthquake and base agreement, might cause Papagos and Markezinis seriously to question whether their policy of close collaboration with US is worthwhile.

YOST

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4. Telegram 617 reported that FOA in consultation with the Department of State was considering a redistribution of aid amounts by country because appropriations for defense financing and economic aid for Europe were approximately 90 percent below the amount requested. (123 Cannon, Cavendish W.)

No. 450

711.56381/8-1458: Telegram

The Secretary of State to the Embassy in Greece

TOP SECRET
WASHINGTON, August 28, 1953—7:38 p. m.

725. Careful consideration Greek proposal (Embtl 431) in light

1Drafted by Dixon and Rogers and cleared with Admiral Smith (Defense), Byroade, Richards, Bonbright, and Matthews. Repeated for information to Paris for USRO and Reinhardt, Frankfurt for USCINCEUR and Satterthwaite, to Rome for Maffitt, and to Valletta.

2Document 448.
anticipated or potential effects on foreign relations US lead us to conclude public announcement this time concerning grant US airbases Greece should not be made. Conclusion based following factors:

B. Although there may be some advantages from local Greek point of view in public announcement believe they are counterbalanced or outweighed by attendant disadvantages locally. Announcement very likely create Balkan tensions with resulting undesirable effect on Greek political stability and economy. We have in mind such things as propaganda barrage from Free Greek Radio and Bulgarians, renewal border troubles, increased communist activity Greece, as well as possible disruptive communist machinations along pattern post-guerrilla-war type.

C. Confrontation NATO with fait accompli contrary to spirit NATO cooperation and to established procedures. Consider announcement would tend arouse apprehension among NATO partners that US playing separate game and tend strengthen impression held by some that US policy over-aggressive in sensitive areas. SAC requirements do not require prior notification to NATO although we will inform Standing Group of Agreement when reached. Navy requirements included in 4th slice infrastructure and therefore do not require new approval.

D. We do not concur Greek assessment as to strength British intentions and ability obstruct agreement. In our view fait accompli more likely provoke British interference. We intend inform British re negotiations at an early date (see separate telegram)\(^3\) in order ally suspicion or fear which partial information re SAC requirements might stimulate. If British interference develops we prepared make representation UK Foreign Office.

E. We are attempting avoid wherever practicable publicity concerning base arrangements in general in order avoid public speculation and discussion. Certain arrangements are politically sensitive both internationally and within host countries. Also we anxious avoid debate concerning non-registration with UN of agreements which for security reasons are unpublishable.

F. FYI only. Do not believe burden on Greek economy should be great (see separate telegram).\(^4\) We fear inference that Greeks might use grant base rights as leverage obtain concessions in other fields notably increased aid. Public announcement would strengthen Greek hand this respect. End FYI.

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\(^3\)Telegram 726 to Athens, Aug. 28, contained instructions to inform the British that exploratory discussions were initiated with the Greeks for acquiring military facilities to fulfill U.S. naval and air requirements in Greece in support of NATO. USAF requirements involved SAC use of airbases in Greece for fighter escort and emergency post strike purposes. (711.56381/8-2853)

\(^4\)Not further identified.
Proposed military facilities actually represent primarily extension physical facilities already constructed under US aid program. Stationing of personnel these locations would be gradual process. As such Department intended it should give appearance at least in initial stages of continuation of previous aid activities, though we cannot publicly and positively identify it as continuation previous aid program. Logical course would seem be maintain secrecy by allowing this impression to prevail as long as possible until tangible evidence should become so apparent or other events make some explanation necessary.

While we appreciate sincerity and enthusiasm Greeks in wishing announcement this decision we convinced that to do so would work to detriment of both US and Greek interests. Embassy should therefore discuss foregoing with Greeks emphasizing points A-E above and obtain assurance maintenance secrecy negotiations.

Dulles

No. 451

711.56381/8-3153: Telegram

The Acting Secretary of State to the Embassy in Greece

SECRET

WASHINGTON, September 18, 1953—2:20 p. m.

960. Noform. State—Defense message. ReEmbtel 663 final para re Greek plan seek parliamentary approval expurgated form Agreement. Agreement for military facilities we seek with Greeks actually constitute arrangements in implementation Article III NAT which treaty already ratified and registered with UN. We will not submit Agreement for Senate consent ratification here or register with UN and strongly hope Greeks will not do so. Should Greeks seek parliamentary approval, question US ratification would undoubtedly be raised publicly here and probably stimulate undesirable public discussion. Submission Greek Parliament would likewise invite UN controversy and elsewhere re UN registration

1Drafted by Dixon and cleared with Richards, Charles E. Rogers (RA), Yingling, Admiral Smith (Defense). Donald D. Kennedy (SOA), and Barbour. Repeated to Rome for Maffitt and Alpern, to London for CINCNELM, to Bonn for CINCEUR and Satterthwaite, to Wiesbaden for USAFE, to Heidelberg for USAREUR, and to Velletta for Paul E. Paddock, Jr.

2Dated Aug. 31, telegram 663 reported that the Greek Government insisted on presenting the general agreement at least in expurgated form to Parliament and that it might be dangerous for the United States to urge prolonged delay of ratification. The Embassy in Athens hoped that secrecy could be maintained for at least some weeks with Greek cooperation. (711.56381/8-3153)
(Deptl 725\(^3\) para E), in turn raising question other agreements US has or seeking about which are varying degrees public awareness. Certain aspects these arrangements cannot be made public for military security reasons and in many cases facilities arrangements contain provisions which if known would create political difficulties domestically for other governments concerned. In certain instances revelation existence such arrangements would increase East-West tension and render host country position more vulnerable. Other governments have insisted on secrecy arrangements for these reasons.

Presentation abridged agreement Greek Parliament would inevitably provoke debate and probing in Parliament and press speculation as to US military program resulting possible undesirable misunderstanding of further revelation substance agreement.

Embassy requested urgently explain Greeks above views and press strongly for abandonment plan present facilities agreement to Parliament. We consider most important no public discussion be permitted concerning these agreements. However, should Greeks be adamant re submission Parliament, we would not wish press matter to point of jeopardizing successful conclusion of negotiations. Furthermore if Greeks insist you will be authorized yield but we would wish discuss with Greeks form and timing submission to Parliament. In lieu specific parliamentary ratification or approval government might seek enabling legislation or other form parliamentary authorization for Executive Branch conclude type agreement which we seek. This form parliamentary sanction could be accomplished without revealing substance or nature our proposed agreement. Ratification SOF could provide natural opportunity for such legislation without attracting attention. Greece now in position ratify SOF. Ratification SOF however does not itself constitute enabling authority station troops in that country. Therefore Parliament might pass enabling legislation concurrently with SOF ratification composed of simple language roughly along following lines: "Prime Minister authorized permit reception foreign forces, civilian components and dependents, and arrange for installations for their reception and use as might be required in implementation Article III NAT". Should this line be followed, wording should be developed carefully and fully agreed between us.

Either without parliamentary action or with it on abridged agreement Greek Government may wish discuss agreement appropriate members Parliament or opposition party. We would have no objections if done on need-to-know basis and would like be informed if such action taken.

\(^3\) Supra.
Report earliest.

No. 452

Memorandum of Conversation, by the First Secretary of Embassy in Greece (Schnee)

SECRET

ATHENS, September 24, 1953.

Participants: Ambassador Cannon
Prime Minister Papagos
Mr. Schnee—Special Assistant for NATO Affairs
Mr. Calligas—Embassy Translator

Subject: Military Facilities Agreement
(1) Parliamentary Action
(2) Publicity

References: Deptels (a) 960¹ and (b) 962 of September 18.²

Pursuant to the instructions set forth in the telegrams under reference Ambassador Cannon called on the Prime Minister at noon today, and in the course of a 30 minute conversation conveyed the U.S. views regarding the undesirability of submitting the projected agreement to Parliament and reiterated the U.S. view that publicity should be deferred as long as is feasible and that—if and when necessary—the public reference could be limited to a public statement to the effect that action is being undertaken in furtherance of the defense effort.

After Ambassador Cannon had briefly outlined the purpose of the call, the Prime Minister observed that he was leaving for Italy tomorrow (to be gone about 10 days) but that he hoped the agreement could be signed and a public statement issued shortly after his return. He considers it important that a public statement be issued as soon as the agreement is signed.

The Ambassador then took up the problem of parliamentary action, setting forth the basis of the U.S. objections to such action as set forth in reference (a) but neither indicated that the U.S.

¹Supra.
²Telegram 962 reviewed arguments against announcing the Military Facilities Agreement, but agreed to yield on that point if the Greek Government remained adamant for an announcement. It also authorized U.S. signature of the agreement and indicated willingness to release 15 billion drachmas of counterpart funds to the Greek Government in fiscal year 1954 for use in meeting the additional financial burden accruing from the agreement. (711.56381/9-153)
would be prepared to yield on this matter nor suggested the alternative of general enabling legislation.

The Prime Minister in reply stated that the Constitution required the Greek Parliament to ratify any agreement which provided for the ceding of bases and that, unlike the U.S. position outlined by the Ambassador, the King did not have the power to conclude such agreements without parliamentary action. If he did so, there was a real danger that the agreement would be declared void. Furthermore, the Prime Minister is convinced that it would be very harmful from a public relations point of view if the Government could be accused of having withheld such important information from Parliament and the public. He reiterated fears previously expressed that this subject cannot remain a secret much longer and that if the public were first informed through opposition inquiries in Parliament or through the press, the agreement might appear somewhat sinister to the public. Throughout this portion of the discussion the Marshal kept repeating the phrase, “this can’t go on much longer”, meaning the present secrecy.

Ambassador Cannon pointed out that in the United States a somewhat analogous situation existed between the President and Congress and that we are proceeding on the basis that Congressional ratification of the NATO Treaty—particularly Article III—provided the required legislative action and that agreements of the type under discussion merely implemented the action taken by the legislature when it ratified the NATO Treaty. The Prime Minister replied that legal experts would have to determine whether a similar interpretation would be feasible in Greece, that he thought Article III did not alter the constitutional requirement for legislative ratification but suggested that, in his absence, the subject be discussed with Mr. Markezinis and Mr. Kanellopoulos.

As noted, the question of publicity arose frequently during the discussion of the legislative aspects of the problem but in addition, the Ambassador reiterated the American objections again without indicating that the U.S. is prepared to compromise. It was agreed that the question of parliamentary action might have a direct bearing on the question of publicity and that the legislative question should therefore be resolved first.

Embassy Observations:

The Prime Minister made it crystal clear that he is convinced of the necessity of issuing a public statement as soon as the agreement is signed and that he considers it dangerous to defer public announcement any longer. He appeared equally adamant regarding the necessity for parliamentary ratification. In order to ensure that the Greek Government will make the maximum effort to meet
the American viewpoint no reference was made to compromise or alternate solutions set forth in the telegram under reference.

No. 453

Editorial Note

The Agreement Between the United States of America and the Kingdom of Greece Concerning Military Facilities was signed by Ambassador Cavendish W. Cannon and Greek Foreign Minister Stephanos Stephanopoulos at Athens on October 12, 1953. (4 UST (pt. 2) 2868, or 191 UNTS 819) In addition, Appendix I on implementation and Appendix II on the agreed requirements that may be utilized by the United States military forces in Greece, were signed by Cannon and Stephanopoulos at Athens on October 12. Despatch 476 from Athens, November 17, transmitted the Agreement and the Appendixes to the Department of State. (711.56381/11-1753) Amendment I to Appendix II on changes in the requirements that may be utilized by United States Military Forces in Greece, as set forth in Appendix II, was effected by notes exchanged at Athens by Cannon and Stephanopoulos on June 25, 1954. Despatch 107 from Athens, August 7, 1954, transmitted Amendment I to the Department of State. (711.56381/8-754) The Agreement entered into force by signature for the term of the period of validity of the North Atlantic Treaty. Procedure for termination was not stated. The Agreement was published, but Appendixes I and II to the Agreement and Amendment I to Appendix II were not made public. For text of the announcement of the signing on October 12, see Department of State Bulletin, December 21, 1953, page 863.

No. 454

611.81/10-3053

Memorandum of Conversation, by the Deputy Director of the Office of Greek, Turkish, and Iranian Affairs (Baxter)\textsuperscript{1}

TOP SECRET

[WASHINGTON,] October 30, 1953.

Subject: Call of Greek Foreign Minister on the Secretary

\textsuperscript{1}Cleared with Roderic L. O’Connor (S), A briefing memorandum, Oct. 30, by Jernegan to Dulles on this meeting is in Secretary’s Letters, lot 56 D 459, “S”.
Participants: Mr. Stefanos Stefanopoulos, Minister of Foreign Affairs
Mr. John D. Kalergis, Minister Counselor, Greek Embassy
The Secretary
Mr. William O. Baxter, GTI

The Greek Foreign Minister, who accompanied the King and Queen of Greece to Washington,2 called on the Secretary this afternoon to discuss problems of mutual interest.

Trieste

The Foreign Minister opened the conversation by saying that he was optimistic about the Trieste situation. He had just talked to Ambassador Kyrrou, Greek representative to the United Nations, and believed that, if the implementation of the October 8 decision were postponed,3 Italy and Yugoslavia could work out an acceptable solution.

The Secretary echoed the same hope and referred to a suggestion made by Mr. Stefanopoulos at dinner the night before that the Trieste situation might be eased by a declaration to be signed by 15 of the 20 signatories of the Italian Peace Treaty, which events have proved is an unworkable document. (The Secretary indicated that he wished to have this suggestion explored.) In commenting on the gravity of the Trieste situation and the importance which he knew Greece attached to it, the Secretary expressed the hope that Greece and Turkey, because of their new treaty relationship with Yugoslavia, would continue to use their good offices with Tito to effect a peaceful settlement.

Yugoslav Military Talks

In this connection, the Secretary referred to the Talks held last August between military representatives of Yugoslavia, and of the United Kingdom, France and the United States.4 Knowing the eagerness with which the Greek Government awaited a report on these talks, he regretted the delay occasioned not only by the somewhat cumbersome procedure for military clearance, but also by the unfavorable political climate resulting from the tension over Tri-

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3Reference is to the decision of the United States and the United Kingdom to relinquish administration of Zone A of the Free Territory of Trieste to Italy at the earliest practicable date. (Department of State Bulletin, Oct. 19, 1953, p. 529)
4A summary report of the tripartite military talks held in Washington in August 1953 is in file 611.68/8–2453.
este. The Secretary said he wished to take this occasion to give the Minister more detailed information, on a personal and informal basis, concerning the outcome of these talks. He was confident that the Minister would treat this with utmost discretion, knowing that the Italians had not yet been informed; it should also be understood that this did not constitute official notification to the Greek Government, which would be made at a later date probably through military channels.

The Secretary then paraphrased the following summary, which Mr. Kalergis translated for the Minister carefully, sentence by sentence.

The talks took place on the military level and were without political commitments on either side. They were held in an atmosphere of great frankness and cordiality and were very useful in clarifying the Yugoslav position. The Yugoslav’s main object seemed to be to get Western agreement to modernize their forces. The conference started with an exchange of intelligence regarding the Soviet-Satellite threat to Yugoslavia; the Yugoslav appreciation did not significantly differ from that of the three Powers. The conference then turned to strategic matters. No NATO plans were revealed to the Yugoslavs but they were told that, militarily speaking, an attack on Yugoslavia would be unlikely to remain isolated. The value of the defense of Yugoslavia for the security of southeastern Europe was acknowledged. We discussed with the Yugoslavs the strategic concept to be adopted for the defense of Yugoslavia, and we found that their ideas were in very close accord with our own, particularly as regards the need to defend the Ljubljana Gap and to tie up with the Greek and Turkish forces in the south.

The Yugoslavs presented lists of material that would be necessary to equip Yugoslav armed forces on modern lines and estimates of logistics involved in supporting the Yugoslav armed forces in a time of war. No opinion was expressed on the Yugoslav figures and no undertakings were given that their requirements would be met, but the conference decided to recommend to the governments that the next stage should be a meeting of Tripartite-Yugoslav experts to examine the material and logistic problems involved. The conference also recommended that further operational studies should take place with the appropriate NATO commanders. The tripartite representatives stressed to the Yugoslavs that inevitably future military planning would be unrealistic unless the Trieste problem were first stabilized. The report of the conference is at present being studied by the various Chiefs of Staff.

The Foreign Minister interrupted the Secretary once in connection with the statement: “The value of the defense of Yugoslavia for the security of southeastern Europe was acknowledged.” He asked if this were also the position of the United States Government. The Secretary explained that this was a military point of view which had not yet been given consideration on the political
level. It was, he thought, in the process of being appraised by the Joint Chiefs of Staff.

**Bulgaria**

The Minister stated that, as the Secretary knew, Greece had responded affirmatively to a Bulgarian suggestion for opening conversations with a view to the resumption of diplomatic relations. The Greek Ambassador in Paris was under instructions to approach the Bulgarian Chargé in the absence of the Bulgarian Ambassador. However, within the past few days, following the Soviet note to Greece protesting the base rights agreement with the United States, the Bulgarian Government had sent a protest along the same lines to the Secretary General of the United Nations, who is now considering whether or not he should circulate it to all member nations. If this protest is circulated, Ambassador Kyrrou will be instructed to protest the Bulgarian violations of the military articles of the peace treaty.

**Soviet-Inspired Propaganda**

Mr. Stefanopoulos noted that the recent conclusion of an agreement with the United States for military facilities in Greece had made a very good impression on the Greek people. He felt that it was favorably received in France and Great Britain, to which the Secretary added that it had also been well received in the United States. The Foreign Minister said that the Soviet Ambassador, who called on him just before he left Greece with the King and Queen, had brought up the base agreement, claiming (here the Minister smiled) that he was speaking “personally and without instructions from his government.” Mr. Stefanopoulos said he had expressed innocent surprise that the Soviet Ambassador should find anything unusual in this development, which he pointed out was no change in Greek policy but merely a strengthening of unaggressive NATO plans. In fact, he continued, as Greece is faced on the north with armed forces of much greater strength than its own, this development would give Greece a feeling of security in which it could work more confidently toward the development of friendly relations with all of its neighbors.

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6 For text of the Bulgarian note, Oct. 29, by Mintcho Neitchev, Bulgarian Minister of Foreign Affairs, to Hammerskjöld, for transmittal to the Greek Government, see Relazioni Internazionali, Nov. 14, 1953, p. 1111, or enclosure 2 to despatch 334 from New York, Nov. 11. (711.56381/11–1153)

7 Hammerskjöld’s note, Nov. 9, to Dulles, transmitted a copy of the Bulgarian note of Oct. 29 for the information of the U.S. Government. (Enclosure 1 to despatch 334 from New York, Nov. 11; 711.56381/11–1153)
More seriously, the Minister said that he did fear a buildup of Soviet-inspired propaganda which would exploit the recent earthquake by attempting to convince the Greek people that their government was pouring its resources into a military buildup at the expense of the disaster victims. Such propaganda would also make full play of the United States base agreement by pointing out that the expansion of trade with the Soviet orbit, which would greatly benefit the Greek people, was not possible so long as Greece lent itself to the "aggressive designs of the United States" and permitted the stationing of foreign troops on its soil.

The Minister said he felt certain that the opposition would use certain of these arguments to attack the government. Unfavorable comparisons would be drawn between the United States-Greek base agreement, which could be interpreted as adding to Greek budgetary commitments, and the United States-Spanish agreement, which was accompanied by substantial economic assistance to Spain. The Minister recognized, of course, that the United States had contributed immeasurably more in aid to Greece during the past years, but attacks on the government along this line would, he feared, be somewhat hard to answer. However, the Greek Government intended to be honest with the Greek people and let them know that economic aid was being sharply diminished and would, in all probability, soon be cut off completely. In this connection, it would be helpful, the Minister stated, if the $20 million of FOA aid for this year could be released as soon as possible. The Secretary said that the Department would look into this question.

Conclusion

Mr. Stefanopoulos then said that he had no further questions to take up at this time. As the Secretary knew, the Minister and his government maintained the closest relationships in Athens with Ambassador Cannon. These close relationships between all friendly NATO powers are the essence of our present position and the strength of the free world. If NATO did not exist, Russia would not be following its present appeasement policy. Conversely, the Secretary added, if the Allies should drift apart, the Soviet appeasement policy would quickly disappear.

As the Minister took his leave, the Secretary reverted once more to the Trieste question, urging that the Greek Government exert all its influence, which he knew to be great, on Yugoslavia to agree to a reasonable solution. The Trieste problem, the Secretary reiter-
ated, must be settled; there can be no security for southeastern Europe until it is settled.

No. 455

781.5/2-2754: Telegram

The Ambassador in Greece (Cannon) to the Department of State

TOP SECRET

ATHENS, February 27, 1954—5 p.m.
PRIORITY

2125. Noform. Reference: Paris telegram January 29 sent Athens 77, repeated Department 2790, Rome 244, Bonn unnumbered, Frankfort 71.2

Country Team Message

1. Memorandum constituting Greek study Prime Minister referred to in his conversation with General Gruenther (reference telegram) has been transmitted me by Marshal Papagos.3 Copy being transmitted General Gruenther by Exindaris, Greek delegate NATO.

2. Main elements memorandum as follows:

a. Greece willing spend same amount for defense expenditure in fiscal year 1955 as budgeted this year (4,429 billion drachma by national definition) providing: (i) Equal release counterpart; (ii) Continued economic aid, including assistance for reconstruction earthquake area.

Except for counterpart release of 750 billions no specific aid figures cited. From other conversations we feel certain government will also make strong plea for continued counterpart releases for investment program.

b. Citing requirements which can not be met within this level expenditures, memorandum states it necessary reduce size army in order achieve more efficient utilization in defense effort of funds thus saved.

c. MDAP requirements listed in general functional fields.

1Repeated for information to Paris for Hughes and Reinhardt, to Frankfurt for USCINCEUR and Satterthwaite, and to Rome for Maffitt.

2This telegram reported that Papagos told Gruenther in Paris on Jan. 26 that some reduction in Greek forces could be effected; Gruenther offered the cooperation of SHAPE in the conclusion of a Greek-U.S. country team study of the Greek defense program. (781.5/1-2954)

3Papagos handed a copy of his undated memorandum to Cannon on Feb. 23. (Enclosure to despatch 802 from Athens, Mar. 1; 781.5 MSP/3-154)
Embassy will forward memorandum, together with preliminary comments shortly. Generally speaking, conclusions similar those set forth Embassy despatch 610, January 4.  

3. Memorandum signed by Marshal Papagos who specifically requested negotiations be conducted personally by the two of us. As country team continues believe issue of reorganization GAF will not be resolved on mutually satisfactory basis without detailed joint study by JUSMAG and Greek military, and as such study will present problem in clearer terms than set forth in Marshal's memorandum, I urged that these studies be undertaken. Marshal agreed and first joint meeting has taken place. At present stage, study will be confined to fact finding, i.e., what is actual supply position (cited in memorandum as being inadequate whereas our study indicates it comparatively very good). Envisaged that future developments of study will indicate defense capabilities within economic assumptions of memorandum from Marshal Papagos.

4. Suggest that upon receipt memorandum Department instruct me inform Marshal Papagos that United States Government shares concern Marshal that there shall be a proper balance between civilian and military sectors of budget and that funds allocated defense shall be used in most effective manner and that competent United States authorities are awaiting outcome present discussions between Greek and United States military representatives before replying Marshal's memorandum in greater detail. If Department agrees, would be helpful if I could reply in name of President Eisenhower as Marshal himself directed preparation report and has signed it.

CANNON

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*Despatch 610 reported the State–Defense–FOA country team estimate of Greek economic aid requirements as $35–$40 million in previously allotted aid funds which remained unutilized as of June 30, 1954, and $20 million in new funds for fiscal year 1955 of which $5 million would be for earthquake relief. The country team believed that a proposed expansion of Greek Armed Forces by 10,000 men should be deferred until the United States was prepared to cover the entire cost of such an increase. (781.5 MSP/1–454)*
Memorandum of Conversation, by the FOA Assistant Regional Director for Near East, South Asia, and Africa Operations (Seager) and by the FOA Military Program and Planning Officer (Arth)

SECRET

WASHINGTON, March 18, 1954.

Subject: Meeting Between Governor Stassen and Greek Defense Minister Panayotis Kanellopoulos, held at 4:00 p.m., Monday, March 8, 1954

Present: FOA:
Governor Harold E. Stassen
Dr. D. A. FitzGerald
Mr. Cedric Seager
Mr. M. P. Arth

Greece:
Greek Minister of Defense Panayotis Kanellopoulos

The Minister gave a rapid-fire review of the Greek defense situation and the enormous burden imposed on the Greek budget by the need to maintain the Greek armed forces at their existing level. He mentioned the many measures taken since April-May 1953, when a devaluation was combined with the removal of controls (the latter measure to inspire confidence). He also mentioned Prime Minister Papagos proposed realignment of Greek forces with Greek budgetary capabilities, referred to conversations with General Gruenther on this subject, and the analysis of this issue of forces readjustment under way in Greece jointly by the Greek Government with U.S. elements in Greece.

The Minister said that during the past year the Greek Government had been forced to sacrifice a great deal in order to protect

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1Kanellopoulos, who visited the United States as a guest of the Department of Defense, arrived in Washington on Mar. 5 and made calls on the three Service Secretaries, the Assistant Secretary of Defense for International Security Affairs, and the Director of the Foreign Operations Administration on Mar. 8. On Mar. 9, he began a tour of installations of the Armed Services. He met with the Deputy Secretary of Defense, the Director of the Foreign Operations Administration, and the President on Mar. 18 (see the memorandum, infra). During his visit to Washington, he also met with the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs.

2During the visit to Athens, Oct. 20-21, 1953, Gruenther told Papagos that he recommended no major changes in the organization of Greek Armed Forces, and Papagos assured him the Greeks would make none before completion of a Greek and JUSMAG Athens joint study of the problem. (Telegram Joint Weeka 43 from Athens, Oct. 23, 1953; 781.00(W)/10-2353) Regarding Gruenther’s conversation with Papagos in Paris on Jan. 26, see footnote 2, supra.
the national investment program. This had created present deficiencies in the areas of air defense, reservist and national reconstruction. He stated that the country had reacted favorably to the very stringent economic measures that the Government had been forced to impose. He cited particularly that there had been no strikes since the Papagos Government had taken office.

Mr. Kanellopoulos mentioned that the Cabinet was pressing him as Defense Minister, to accept his share of sacrifices necessary to permit the national investment program to move forward at an accelerated pace, as desired by Minister of Coordination Markezinis in particular. This year the total budget is larger than last year, the budget for the armed forces has been maintained at the same level; thus the percentage for defense is lower. For the first time in many years, the government’s stringent economic measures and prudent handling of national finances has enabled the Minister of Finance to show a surplus of 300 billion drachmae.

The Minister said that if the Greek defense potential is not to be weakened, some additional U.S. special help will be necessary, saying he would be “very grateful to you, Mr. Governor, if you could examine the possibility of special help to meet our great defense expenses.” He stated that such help was particularly needed in connection with the present and impending NATO infrastructure costs, with particular reference to the sums that would have to be paid to farmers in connection with the expropriation of properties for the construction of airports at Suda Bay, Lekhana, Nea Khiordos, etc. He said these sums must be paid out immediately, as General Gruenther is insisting upon the early completion of the airports. The total amount required by way of such special help is the equivalent in drachmae of $2.2 million, and he said the funds cannot be provided by the Greek Minister of Finance. The Minister suggested that if this aid could not be extended in the form of a grant, it might be made the basis for a U.S. Government loan carrying a nominal interest charge and repayable in five years, and that under such circumstances the Greeks could pay back one-fifth of it, plus interest, each year, making their first payment before the end of June 1954.

Governor Stassen thanked the Minister for his careful review of the Greek economic and military situation. He stated that the Greek Defense Minister is held in the highest regard in this country and added that the Greek Government in recent times has displayed great skill in the handling of its finances. He reminded the Minister of the worldwide commitments that the United States has assumed with respect to the defense of the free world and with respect to support for the economies of a great many less privileged countries. He emphasized also the importance attached to Greece
as a member of the NATO alliance and stated that the Greek Minister's request would be given his careful and sympathetic consideration. In passing, he mentioned the fact of a large pipeline of U.S. aid which assured continued substantial U.S. support for Greece for some time to come. On the question of the need for assistance to finance NATO infrastructure and acquisition, he stated that the U.S. would look into this issue, but was concerned about establishing a precedent vis-à-vis similar means of other NATO countries.

Mr. Kanellopoulos reviewed the very full program of engagements that lay ahead of him but remarked that he would pay a farewell visit to Washington on March 18, at which time he hoped there might be an opportunity to see Governor Stassen once again, a hope in which Governor Stassen concurred.  

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2A briefing memorandum, Mar. 18, by Arth to Stassen on Kanellopoulos’ call on Stassen that day is in file 781.5/3-1854. No record of the conversation has been found in Department of State files.

No. 457

611.81/3-1854

Memorandum of Conversation, by the Chief of Protocol (Simmons)

CONFIDENTIAL

[WASHINGTON,] March 18, 1954.

Subject: Call on the President of the Minister of Defense of Greece

Participants: The President

The Minister of Defense of Greece

The Ambassador of Greece

John F. Simmons, Chief of Protocol

His Excellency Panyiotis Kanellopoulos, Minister of Defense of Greece, called on the President, by appointment, at 3 p.m. today.

Certain portions of the conversation held are of especial interest.

The Minister said that the recent tri-partite agreement between Greece, Turkey and Yugoslavia1 was already operating favorably. He said that, of course, he had certain mental reservations about the complete sincerity of the Yugoslavs, but, after all, they had to be with us now. He said that they had acted loyally and sincerely and were definitely interested in building up the anti-Soviet defense system. He expressed, however, his embarrassment at the recent request of Marshal Tito to have Greece sign a military

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agreement with his country. This, he said, Greece was avoiding
doing since such an agreement would affront Italy.

The President stressed the importance of a settlement of the Tri-
este dispute and the Minister expressed hearty agreement.

The Minister said how much Greece appreciates our military aid. He
expressed, in some detail, the effective integration of American
matériel into the Greek military defense system, mentioning that
the Greek military and naval forces are rapidly being built up to
high efficiency. The President said that a key to the success of all
defensive systems is the building up of the army with adequate re-
erves. This will provide large military force in an emergency, with
the minimum outlay of funds. The Minister described in detail the
efficiency, mobility and future needs of the Greek Navy and men-
tioned that it must retain its national character. Greece could not
afford, he said, to turn over to Mountbatten, as requested, a
number of destroyers and other vessels which would have to have a
preliminary expensive reconditioning.

The President mentioned his own conversation with the retiring
Yugoslav Ambassador here last week, who had at that time ex-
pressed the confidence of Yugoslavia in the tri-partite agreement
with Greece and Turkey.

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No. 458

781.551/5-854: Telegram

The Ambassador in Greece (Cannon) to the Department of State¹

SECRET


2657. Following publication Athens press yesterday of articles re-
portedly from official spokesman referring to US-Greek "negotia-
tions" and stating that in agreement with US military representa-
tive Minister Defense had issued orders reduce armed forces by
35,000, thus bringing army down to level not in excess 100,000 com-
plement by end this fiscal year. I called upon Prime Minister this
morning at my request to point out embarrassment caused by un-
timely publicity of subject I had continued to treat as highly classi-
fied and to inform him of my concern with the turn these discus-
sions had taken.

I advised the Prime Minister that I do not consider that there
have been any negotiations whatsoever on the subject of the capac-
ity of Greece to sustain its armed forces, that it had been my im-

¹Repeated for information to Paris and Rome.
pression that the military representatives were cooperating in a military study and that the problems raised in the Marshal's memorandum would then be considered in the light of related economic factors which, I had expected, would also be studied by a joint team with a view in arriving at agreed recommendations. I stated that it now appears that the Greek Government had taken its decision unilaterally on the basis of the preliminary work of the military study only.

The Marshal interjected to state that the decision to reduce the army to the level of 100,000 had the approval of General Barth\(^2\) (chief JUSMAG). I promptly replied that I knew General Barth to be a prudent man and that neither he nor I were in a position to state the American position with respect to the issues raised in the memorandum.\(^3\) The US position would be formulated in Washington where no action has been taken to date due to fact interested agencies have been waiting recommendations which Embassy would not be in position to forward until Greek Government had made necessary facts available. By this time we were joined by Ministers of Defense and Coordination. The former admitted that General Barth had not stated that US approved of any specific figure and that figure of 100,000 had been discussed, along with other alternatives, for purpose of illustrating problems and establishing pertinent facts.

Discussion was forthright on both sides. Marshal maintained Greek Government could not allocate one drachma more for defense than was allocated last year and argued that further reductions, possibly to level of a 70,000 man army (virtually a 50 percent reduction) might be necessary in order to permit Greece to provide adequately for civilian requirements and at same time meet NATO obligations (infrastructure). I avoided a discussion of details and reiterated that Embassy did not as yet have information with which to study alternate solutions to problems in question. Atmosphere gradually cleared and both Prime Minister and Minister Coordination assured me full cooperation would be forthcoming and that pertinent economic data would be made available promptly.

Next step will be economic study to determine facts and conversations are being arranged for early next week. Major issues and alternative proposals for solutions will then be forwarded interest-

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\(^2\)Maj. Gen. George B. Barth, Chief of the Joint United States Military Aid Group in Greece.

\(^3\)Reference is presumably to the undated memorandum handed by Papagos to Cannon, Feb. 23; see Document 455.
ed US agencies and SAC for comment. At that point we would be in position to engage in final discussions with Greeks.

Cannon