PREFACE BY EARL G. HARRISON

GERMANY'S MORAL DEBT
The German-Israel Agreement

By KURT R. GROSSMANN

Public Affairs Press, Washington, D. C.
TO THE JEWISH MARTYRS
WHOSE DEATH
SHALL REMAIN FOREVER
A LESSON TO MANKIND

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PREFACE

The present monograph on the German-Israel Agreement sheds considerable light on Germany's endeavor to recognize one of her great moral debts and Chancellor Konrad Adenauer's leadership in reducing this debt to a legal obligation.

Very wisely the author refrains from drawing any final conclusions, for which the perspective of time is necessary. Kurt R. Grossmann has keen insight into the problems involved in the moral rehabilitation of the German people. He lived and worked among them until Hitler made him a refugee from the land of his birth and placed him on the first expatriation list along with the names of thirty-two other prominent German intellectuals and political leaders.

In this book Mr. Grossmann conveys to us for the first time the background of the German-Israel Agreement and the long and wavering struggle for its adoption. Some of the features which make this treaty, based as it is on the domestically accepted doctrine of restitution, unique as it is in the realm of international law are pointed out. While these features are important, it appears equally important that Adenauer's Germany is at least trying to repair one of the horrible aftermaths of total war.

More significant than the material aspects are the moral issues. If Germany honestly fulfills the obligation she accepted, she will have done a great service to herself and her people.

During the war years I witnessed the dreadful consequences of Hitler's relentless battle against humanity. As Commissioner of Immigration and Naturalization during the years from 1942 to 1944, I was happy to be able to help receive in this country some of the pitiful few who were able to escape.

In 1945, shortly after V-E Day, I visited the displaced persons camps in Germany as President Truman's representative and saw the grim conditions under which the survivors of Hitler's genocide had to live. Too clearly do I still recall their haggard bodies and their crowded, frequently unsanitary living conditions.

It was then that I became aware of the urgent obligation that existed to assist in their full rehabilitation. I came to the conclusion that the only way to accomplish this was through generous restitution and indemnification legislation, which Germany must adopt, if she is to
regain her former status as a respected and responsible nation.

As this monograph notes, the fulfillment of Germany’s obligation will be a prolonged affair. With the conclusion of the German-Israel Agreement, Germany’s leaders have regained much of her lost moral position. However, final judgment must be reserved on this score until Germany has carried out her contractual obligation. Tragically, many of the survivors are elderly and may not live to benefit from the indemnification legislation.

Israel has accepted more than 500,000 Nazi victims. It has given them new life, new hope, new homes. It has restored their health and human dignity. Today they are helping to rebuild the Jewish homeland. Part of the tools and material for this task are flowing out of Germany to Israel under the terms of the agreement. While it is true, as various Jewish leaders have repeatedly declared, that no financial compensation, no matter how large, can expiate the horrible crimes of the Nazi regime, this solemn compact represents a significant advance in dealings between nations.

There is a wholesome lesson for all mankind to be learned from the German-Israel Agreement. Crimes of genocide cannot go unpunished and the moral debt arising therefrom must be paid. In this higher sense the salient concepts of western civilization, and with it democracy as a whole, have been strengthened.

EARL G. HARRISON
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The author wishes to express his appreciation to William B. Saphire for his editorial revision of this manuscript in preparation for its publication. Thanks are also extended to my wife for her untiring efforts in reading the galleys and preparing the index, as well as to Evelyn Hoch for her valuable assistance.

Kurt R. Grossmann
At eleven p.m. on March 18, 1953, a treaty without precedent in the annals of international law was ratified by the Bundestag (Lower House) of the West German Parliament in Bonn.

This treaty, generally known as the "Luxemburg Agreement," obligated West Germany to pay to the State of Israel, over a period of twelve to fourteen years, $822,000,000 in goods. Of this amount, $107,000,000 is to be refunded by Israel to the Conference on Jewish Material Claims Against Germany* representing twenty-two Jewish Organizations throughout the free world.

Thus, nearly eight years after Nazi Germany's surrender in World War II, a German government undertook to make some degree of compensation for the material losses of world Jewry during the Nazi holocaust and to defray some of the staggering expenses incurred by Israel as a result of admitting and absorbing more than a half million Jewish victims of Nazism.

The agreement ratified by the Bundestag on this date had been signed in Luxemburg six months earlier—September 10, 1952—by Chancellor Konrad Adenauer, of the West German Bundes Republic, Mr. Moshe Sharret, Foreign Minister of Israel, and Dr. Nahum Goldmann, acting in the capacity of President of the Conference on Jewish Material claims Against Germany. Dr. Goldmann, Chairman of the Jewish Agency for Palestine, was the chief negotiator on behalf of Israel and the Conference.

The Background

Was the Luxemburg Agreement the result of a deep inner urge of the majority of the German people to atone for its recent barbarian past? Was it an attempt by the Germans to rehabilitate themselves in the eyes of the world?

These questions cannot be answered with a simple "yes" or "no." The answers require an evaluation of the moral and political climate in Germany and a close study of her physical condition at the end of the war and in the succeeding years, up to the signing of the Agreement.

* A full list of the member organizations and the composition of the Praesidium will be found in Appendix I.
Judging by what appeared in the German press of the 1945-46 period, the Germans displayed strong resistance to any suggestion that they alone were responsible for the war, or for the ruin brought down upon Germany. They were preoccupied with self-pity and with wrathful outcries against the destruction of their cities.

Many Germans who later supported Jewish claims were aware that crimes had been committed against the Jews, but they did not conceive the awful magnitude of these crimes. They claimed that in the immediate post-war period the masses had little access to such information, because newspapers, the only available information media, were few in number. The Neue Zeitung, published by the American occupation authorities, stressed German crimes, but was unable, alone, to carry the burden of informing the public.

No re-education program instituted through the Allied powers was able to bridge the mental gap. The Germans sought to evade responsibility with the excuse: "I was only a little man." The de-Nazification courts, in fact, started with the millions of "little men" while the "big" were either allowed to escape or, in several hundred cases, received sentences that were mild in comparison to their crimes.

In the immediate post-war period Germany lived under strict regulations enforced by the occupying powers. Food was rationed and black markets flourished. Crime increased.

The German attitude toward the new political parties which were slowly organizing was sullen, suspicious or apathetic.

Refusing to acknowledge that they alone were responsible for their miseries, the German masses turned their wrath against the Allies. Sections of the population singled out Henry Morgenthau (former U.S. Secretary of the Treasury) as the symbol of Germany's destruction and assailed him with anti-Semitic fervor.

Those Germans who had acquired Jewish property were naturally, opposed to restitution. At best, the German masses were indifferent to such moral questions as indemnification and restitution.

When the Allies decreed currency reform in June, 1948, Germany's economic situation began to change for the better. Goods long hidden from the domestic market were suddenly produced. Currency reform had a practical effect on the question of indemnification and restitution.

Germany's rapid economic recovery was indeed astonishing. The figures read like a Hollywood success story. Production increases were amazing: 43% in 1949; 77% in 1950; 20% in 1951 and 7% in 1952. For the whole of Western Europe the comparative figures were only 7% in 1949; 7.5% in 1950; 5% in 1951 and zero in 1952. If
German production is gradually slowing down now, it is only the natural sequence to the Germans' early attempt to speedily recover their past economic losses.

Taking a production index of 100 in 1936, the figures for post-war years were as follows: 1949—89.8; 1950—113.7; 1951—136; 1952—152.4. Employment rose steadily to the 1953 total of 15 million gainfully employed. (In October, 1953, unemployment dropped to less than a million persons, most of whom were jobless only because they lacked vocational training.) By August, 1953, Western Germany's gold reserve reached the post-war high of 7 billion marks (equal to 1 and % billion dollars). Savings increased from 4.5 billion marks (Dec. 1951) to 8.5 billion (equal to 2 billion dollars) in July, 1953.

The traveler in Germany today will be amazed by the display of high quality goods, by the buying power of the masses and the crowds patronizing expensive hotels, restaurants, cabarets and theatres.

Germany's tardiness in tackling the problems of restitution and indemnification can be traced, in part, to the population's preoccupation with economic difficulties and with the internal problems presented by German war refugees. Demonstrations and meetings by German refugee groups attracted overflow audiences. Meetings dealing with moral questions such as the issue of redressing national-socialist wrongs drew small crowds, though these were usually composed of persons of high intellectual and moral calibre.

Main Features of the Agreement

Under the terms of the Luxemburg Agreement, payments by Germany are to be made in twelve installments, beginning with annual installments of 200,000,000 marks for the first two years. Commencing April 1, 1954, nine annual payments of 310 million marks, will be made, followed by a tenth and final payment of 260 million marks, An amount of 50 million marks per year, up to a total of 450 million marks, will be allocated to the Conference on Jewish Material Claims. Inherent in the agreement was a tacit understanding that Germany would try to shorten the payment period by two years if at all feasible.*

The Luxemburg Agreement* consists of three main sections:

(1) The text of the agreement between Germany and Israel, and related material.

*For the budget-year 1954/55 West Germany took advantage of a provision in the agreement allowing her to reduce any yearly payment if necessary to 250 million DM if necessary for economic reasons.
*See full text of the Agreement in Appendix II.
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(2) Germany's obligation to adopt a unified Bundes Indemnification Law to compensate individuals for hardships such as imprisonment, mutilation, loss of profession, and economic losses,* provide restitution for property seized by the Reich. (Protocol 1)

(3) Western Germany's financial obligation to the Conference on Jewish Material Claims Against Germany. (Protocol 2)

Restitution: First Steps Taken by the Allied Powers

The pattern of future German restitution was established on January 5, 1943, in London, when the delegates of eighteen Allied governments—including the United States, the United Kingdom, the U.S.S.R. and the Free French National Committee (General de Gaulle)—issued the first Allied pronouncement on the principle of restitution and indemnification.

The pronouncement declared that the Allied Governments would reserve "all their rights to declare invalid any transfers of, or dealings with, property rights and interests situated in the territories which have come under the occupation or control of the government with which they are at war." The declaration added: "This warning applies whether such transfers of dealings have taken the form of open looting or plunder, or are transactions apparently legal in form even when they purport to be voluntarily effective."

Germany's restitution to nations which had been invaded and plundered, or had otherwise suffered because of German aggression, was strictly an affair between Germany and the governments of these nations. Individual claimants in those countries would have to submit their demands to Germany through the channels of their respective governments.

The interests of the survivors of Nazi persecution, both inside and outside Germany, were served by the terms of the restitution law for identifiable property (U.S. Military Government Law No. 59) and by the methods of compensation to persecutees under the General Claims Law.

The various Laender governments of the West German Federal Republic had to translate their intentions regarding indemnification into laws. Experience in this field revealed not only diversity but deficiencies in the realm of German restitution and indemnification legislation.

The magnitude and complexity of the problem was increased by the fact that considerable property belonging to Nazi victims remained unclaimed because no heirs survived.

* Such a law was adopted by the Bundestag on July 29, 1953.
In the American zone, and in all sections of West Berlin, the Jewish Restitution Successor Organization (JRSO) was designated by the U.S. Military Governor as the legal successor to heirless and unclaimed Jewish property. Its counterpart in the British zone was the Jewish Trust Corporation; a similar organization handled the problem in the French zone.

Based on information from the Central Filing Agency (a unit of the U.S. Military Government with which Germans had to register all properties acquired from Jews) JRSO, since November 10, 1947, has filed a total of 110,496 claims. As of December 31, 1953, 80,579 of these cases had been settled by JRSO; 29,917 cases were still pending.

To simplify the complex procedure and to save the time and expense of long, drawn out litigation, 39,858 cases were settled en masse. This was done by turning over the claims involved to the Laender governments of Bavaria, Bremen, Hesse and Wurttemburg-Baden. In return, JRSO received fixed amounts from each of the states.

In monetary values, $16,214,600 was retrieved as heirless and unclaimed by JRSO. Jews who had been denied their rights to restitution because they failed to meet the deadline for filing claims became entitled to assets worth $3,452,500. Moreover, legal aid to recover cash or properties totalling $7,428,700 was extended to thousands of indigent claimants.

The questions of restitution and indemnification were first aired by representative Jewish bodies in the early war years. Though the complete picture of physical and material destruction of European Jewry emerged only gradually, the salient features of the problem were apparent at an early date.

Dr. Nahum Goldmann first raised the restitution issue at the Baltimore Conference of the World Jewish Congress in 1941. At that time he spoke of global demands by the Jewish people at the war’s end. Major Jewish organizations—particularly the World Jewish Congress, American Jewish Joint Distribution Committee, the American Jewish Committee and the American Jewish Conference—were already working intensively on the problem. Their views on the subject of restitution and indemnification were often reflected in official statements emanating from the Allied governments.

The Nazis had persecuted and carried out the organized murder of one-third of the world’s Jewish population; they had seized or destroyed Jewish property of an estimated value, in Germany alone, of

*Wurttemburg-Baden settled only claims against the State and the Reich; individual heirless claims were left unsettled.
seven to ten billion marks. The special Jewish tax, a collective fine imposed on the German-Jewish community after the vom Rath assassination in 1938, amounted to another billion marks in the terms of Jewish community property in and outside of Germany. Moreover, Jewish property in the countries which the Germans occupied or controlled through their satellites was seized, looted, or expropriated. The minimum estimate for such property ran as high as eight billion dollars.

Compared with these staggering financial losses, the value of restituted property is indeed very small. As far as internal restitution is concerned, 892 million marks ($212 million) were recovered in the American zone of Germany. Indemnification for loss of liberty, limb, or occupation, amounting to 347 million marks ($82.6 million) was paid as of December 31, 1953, to a rather small fraction of the nearly one million eligible claimants (50 per cent of them Jews) in the U.S. zone and in the Western sectors of Berlin. To these totals we must add the sums paid in the British and French zones—approximately $50 million in restitution and $55 million in indemnification.

In a letter dated September 20, 1945, addressed to the Governments of the United Kingdom, United States, U.S.S.R., and France, Dr. Chaim Weizmann, speaking in behalf of the Jewish Agency for Palestine, took a position which later was recognized by the majority of the Jews:

"The first declaration of war by Germany (and subsequently by her associates) was made against the Jewish people and it took a special form. Its aim was not conquest and enslavement, but the complete physical extermination of the Jews, the utter destruction of their spiritual and religious heritage, and the confiscation of all their material possessions. In executing their declaration of war, Germany and her associates murdered some 6 million Jews, destroyed all communal institutions wherever their authority extended, stole all their treasures on which they could lay their hands . . . the mass murders, the human suffering, the annihilation of spiritual, intellectual and creative forces are probably without parallel in the history of mankind."

Dr. Weizmann went on to say that the problem of restitution embraces the buildings, plant equipment, money securities and valuables of various kinds taken from Jewish institutions and individuals,

*Indemnification payments in the British zone were restricted to residents in the British zone of Germany for loss of liberty or limb.
as well as Jewish cultural treasures, religious articles and communal properties.

Dr. Weizmann pointed up the moral implications of the problem: "The specific claim on behalf of the Jewish people is put forward, the moral obligation resting upon the United Nations using their best endeavors to solve the problems created by Germany's war of aggression, one of which is the Jewish problem as it presents itself today in large parts of Europe."

One of the points which the Jewish Agency submitted to the four Allied powers at the time was the demand "that the Jewish people also should be allotted a proper percentage of reparation, to be entrusted to the Jewish Agency for Palestine," for relief and rehabilitation of Jewish victims of racial and religious persecution. This demand became one of the bases of the claims of the Government of Israel which succeeded the Jewish Agency.

The establishment of Israel as a legal recipient of German restitution funds was based entirely on moral grounds. Israel proclaimed her independence on May 15, 1948. From then until December 31, 1952, a total of 707,650 Jews were admitted by that country. Of nearly 200,000 Jewish displaced persons of various nationalities who were located within the German borders after the close of the war, 130,000 emigrated to Israel.

In a note of January 16, 1951, addressed to the four Allied occupation powers, the Government of Israel took issue with the meagre and unsatisfactory restitution and indemnification legislation which then existed. As Israel pointed out, many justified demands were unfulfilled and many hardships were not alleviated. Israel summed up her demands as follows—

"A. The retention of control over restitution and indemnification among the powers, reserved to the Allied Occupation Authorities, as well as the retention of the Military Board of Review or other corresponding non-German Appelate Authority."

"B. The improvement of the existing indemnification laws—in particular the adoption of a general claims law of the Federal Republic."

"C. The immediate assumption by the Government of the German Federal Republic of financial liability for indemnification laws, jointly and separately with the Laender."

*This demand was not met. German judges will become members of the highest Appelate Authority, though they will be in the minority, as soon as the General Agreement becomes law. In Berlin such mixed restitution court with participation of three German judges came into being in September, 1953.

*See footnote 4.*
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“D. The speeding up of actual payment of compensation and restitution claims.

“E. The urgent solution of the transfer problem between the parties concerned.”

Another problem was the transfer of money to the Nazi victims outside of Germany. The Israel note expressed a special interest in this since Israel has absorbed most of the Jewish displaced persons who were in camps in Germany at the end of the war and has thereby shouldered a financial burden which would otherwise have fallen on the occupation authorities. The transfer problem was a result of Germany's currency restrictions. All restitution and indemnification payments are made in marks which cannot be transferred at the normal exchange rate at 4.191 for each dollar. They were traded at the rate in October, 1953, of about $17 per 100 marks, constituting a *de facto* loss of 30 per cent for the recipients. This represented an improvement over the old rate of exchange $14 per 100 marks which constituted a loss of 45 per cent.

In January 1954 the foreign currency restrictions were relaxed allowing transfer of accounts up to DM 10,000—accumulated until December 31, 1953 at the official exchange rate. Monthly remittance of DM 500 is also permitted regardless of the recipient's economic or social status.

In a second note to the Allied powers on March 12, 1951, Israel took up the case of the Jewish people against Germany. This note reviewed the ghastly story of the physical destruction and material losses of the Jewish people, of a crime against them "of such vast and fearful dimensions" that they can never be expiated by any measure of material reparation. The note added: "All that can be done is to secure the indemnification for the heirs of the victims and the rehabilitation of the survivors. The Jews were killed, but the German people continued to enjoy the fruits of the carnage and plunder perpetrated by their erstwhile leaders. As stated in the Bible, they have 'killed and also taken possession.' The dead cannot be revived, their torment cannot be undone. This much, however, can be demanded: that the German people be required to restore the Jewish property and to pay for the rehabilitation of those who have survived."

The March 12th note, for the first time, laid the basis for Jewish demands against Germany. It led to the adoption two years later of the German-Israel Agreement.

"The amount to be claimed must be related, on the one hand, to the losses suffered by the Jewish people at the hands of the Germans," the note stated, "and, on the other, to the financial cost involved in
the rehabilitation in Israel of those who escaped or survived the Nazi regime... Israel can base its claim only on the expenditure in connection with the resettlement of the Jewish emigrants from the countries formerly under Nazi control. Their number is estimated at about 500,000* which would involve an over-all expenditure of $1.5 billion... This figure corresponds to the value of exports from Western Germany alone in 1950, which, in view of Germany's economic recovery, is likely to increase considerably during 1951. If spread over a period of years and transferred partly in the form of goods, a reparation payment of this total would not be beyond the capacity of the German people..."

Israel's note of January 16, 1951, was the first of what developed into a series of exchanges between that country and the three Western powers. The U.S.S.R. remained silent and has not acknowledged Israel's representations to this day. The British answer to the note did not arrive in Israel until March 20. The American and French replies came the next day. All expressed sympathy with Israel's demands and agreed that the handling of restitution claims was unsatisfactorily slow. However, the British claimed that this "was occasioned by the reluctance of His Majesty's Government, with the United States and French governments, to abandon attempts to reach an agreement in the Control Council on a unified program throughout Germany for internal restitution of identifiable property."

Israel's second note, sent on March 12th, was answered by the Western powers on July 5th. The following points made by the United States reflected the attitude expressed by these powers in their communications:

(1) While persecutees were not represented at the Paris Reparations Conference, their claims "were given special consideration." Here the note referred to the allotment for relief, of non-monetary gold found in Germany. This was used to create "a fund of $25 million from German external assets" 90 per cent of which was allotted for the relief of Jewish survivors.

(2) While the United States did not seek to imply that it regarded the amount allotted "as full compensation" for Jewish suffering at the hands of the Nazis, the note stated that in view of the position taken by the Allied powers concerning reparations, the United States Government "regrets that it cannot impose on the Government of the German Federal Republic to pay reparations to Israel."

(3) Throughout the period of Nazi domination, "the United States

*See explanatory table in Appendix III.
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and other countries offered sanctuary to many thousands of persons of Jewish origin fleeing from their Nazi persecutors."

The American answer, as well as the replies of Great Britain and France, made it clear by implication that a settlement could be achieved only through direct negotiations between Israel and the Germans.

Nevertheless, in a new note on November 20, 1951, the Israel Government again petitioned the Western powers to "impress upon the Government of the Federal Republic of Germany the urgent and compelling necessity to give effective satisfaction to its claim which constitutes but a limited measure of atonement toward the Jewish peoples for the unparalleled agony which was inflicted on it." The replies to this note merely reiterated the contention that the Western governments could not intervene in the matter. The United States suggested that "a settlement of the Israel claim against Germany should be effected through direct negotiations between the Israel Government and the Government of Germany."

Background of Negotiations

The need for direct negotiations with Germany confronted Jewry with a dilemma. The bitter memories of the Nazi regime created a strong feeling of revulsion against any form of contact with the Germans. Writing in the Zionist Quarterly in the early spring of 1952, Dr. Nahum Goldmann declared that "the passage of time will have to bring about profound changes in the German national character" before normal relations could be re-established between the Jewish and German peoples. However, Dr. Goldmann added: "There is quite another aspect to the problem . . . This has to do with the simple fact that the Nazi regime stole from Jews all over Europe tremendous amounts of property, both public and private. Who can deny the moral right of the Jews to make every effort to get back as much of this property as is humanly possible? . . . To deny this right, to take the position that we don't want our own property returned to us by the Germans, would be, in my opinion, absolutely immoral. To take such a position would mean that we are ready to pay a premium to murderers and robbers."

While no formal relationships existed between Jews and Germans at this time, some Jewish organizations in America had established contact with liberal groups in Germany.

The Jewish Labor Committee, for example, was in touch with the German trade union movement and with the Social Democratic Party. When the leader of that party, Dr. Kurt Schumacher, visited the
United States in 1948, he was received by this organization.

The American Jewish Committee, which had established contact with some cultural leaders, met with a group of Germans participating in the cultural exchange program sponsored by the United States. Similarly, the Executive of the World Jewish Congress exchanged views with six anti-Nazi German journalists who visited this country in 1950.

One of the first prominent Germans to acknowledge his country's responsibility to pay for the crimes committed against the Jews, Dr. Schumacher prodded his government to take appropriate action as early as 1948.

Chancellor Adenauer, Schumacher's outspoken political opponent on most major issues, was of like mind on the question of restitution. On the occasion of the Jewish New Year holiday in 1949, Adenauer expressed his readiness to make a gift of 10 million marks to Israel as a gesture of Germany's desire to make good for the wrongs done the Jews. Israel did not comment on this offer.

In February, 1951, the Bundestag (Germany's Lower House) debated the problem of restitution and indemnification. Professor Carlo Schmid, spokesman for the Social Democratic Party, suggested that Germany propose to the Allies recognition of Israel as the legal successor to all heirless property and indemnification claims. He declared that Germany had "not done enough to absolve our moral and legal guilt." No matter how much Germany did in this respect, he added, "it will never be enough to permit us to forget."

However, the Social Democratic Party's interpellation on the subject of restitution legislation was referred to the legal committee of the Bundestag, where it was pigeon-holed several months. The few prominent Germans who took an active interest in this problem remained outside the limelight of publicity.

Many other Germans who had suffered under Nazism and survived only by chance considered restitution and indemnification a national obligation. It is noteworthy that certain moral forces were becoming evident. On August 30, 1951, Erich Lueth, Director of the Hamburg State Press Office, wrote an article entitled "We Beg Israel for Peace." A similar message was addressed to the Jewish people by Rudolf Kuestermeier, a journalist writing in the newspaper Die Welt. Both articles were widely reprinted and drew favorable responses from anti-Nazi Germans. Headed by Lueth and Kuestermeier, a "Peace With Israel" movement sprang up. One of the groups which joined this movement was made up of Catholics from Freiburg-Breisgau who had been publishing a monthly bulletin called "Rand-
brief" since 1947; its slogan was "To Further the Friendship Between the Old and New People of God in the Spirit of Both Testaments."

Another Catholic group in the Ruhr Valley became interested in the "Peace With Israel" movement. Some sections of the Evangelical Church entered the scene. Deacon Hermann Maas, a pro-Zionist instrumental in rescuing hundreds of Jews from Nazi concentration camps, added his voice to those who were seeking peace with Israel. Dr. Gertrud Luckner of the Freiburg group expressed similar views.

At this juncture it is necessary to review Israel's economic position. Within the first four years of its existence, it admitted more than 700,000 immigrants, very few of whom possessed means of their own. This mass influx aggravated Israel's economic situation, requiring her to import large quantities of food and building materials. The young nation's economic needs were a major factor in influencing her leaders to claim at least part of the Jewish property looted by the Nazis. The wide contrast in the living standards of the Israelis and the Germans is shown in the following table published by the Economic Council of the United Nations.

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<th>Israel</th>
<th>Germany</th>
<th>Germany's Consumption in Percent of Israel's</th>
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<td>165.0</td>
<td>570</td>
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<tr>
<td>Meat and Poultry</td>
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<td>2.3</td>
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The ratio of Israel's imports to exports is presently about five to one. The influx of German goods under the terms of the Luxemburg Agreement represents approximately 20 percent of Israel's regular budget, and one-third of the expenditure under Israel's development budget (see chart on p. 13) designed to modernize the country and im-

*In September and October, 1953, Deacon Mass was invited to Israel for the second time. He attended the Yom Kippur services and fasted.
### ISRAEL'S DEVELOPMENT BUDGETS, 1952-53 & 1953-54

#### TOTALS (all figures in millions of Israel Pounds)

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#### REVENUES *

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952-53</td>
<td>54.3</td>
</tr>
<tr>
<td>1953-54</td>
<td>75.3</td>
</tr>
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</table>

#### EXPENDITURES

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952-53</td>
<td>47.1</td>
</tr>
<tr>
<td>1953-54</td>
<td>68.0</td>
</tr>
</tbody>
</table>

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**Notes:**

* Revenue figures include:
  - $30,000,000 earmarked for projects planned, but not carried out, under 1952-53 budget.

** Counterpart Funds (400 Million N UK equal 95 Million Dollars)

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*Economic Dept., Jewish Agency, N.Y.*
prove its communications network. The improvements will save the country $500,000 in hard currency plus 500,000 Israel pounds annually."

Adenauer's Statement of September 27, 1951
Its Meaning and World Reaction

An official commitment to compensate the Jews for the material losses they had suffered was considered by the Jews to be a prerequisite of direct negotiations with Germany. Such a commitment was made by Chancellor Adenauer. Speaking before the Bundestag on September 27, 1951, a few days after the Jewish High Holidays, he declared:

"Unspeakable crimes were perpetrated in the name of the German people which impose upon them the obligation to make moral and material amends, both as regards the individual damage the Jews have suffered and as regards Jewish property for which there are no longer individual claimants. In this respect, first steps have already been taken but much remains to be done. The Federal Government will see to it that the restitution legislation is rapidly completed and that it is justly implemented. Part of the Jewish property which could be identified has been restituted. Further restitution will follow.

"With regard to the extent of the reparations—a huge problem in view of the immense destruction of Jewish assets by the National Socialists—it will be necessary to consider that limits are set on Germany's ability to pay by the bitter necessity of providing for innumerable war victims and caring for the refugees and expellees."

When the Chancellor concluded his statement, nearly every member of the Bundestag rose in silent reverence to the memory of Jews who perished under Nazism. This spontaneous demonstration indicated that an overwhelming majority of the legislators endorsed the principles enunciated.

Adenauer was followed on the rostrum by spokesmen of the various parties. The venerable Paul Loebe, 76 year old Social Democrat, former Speaker of the German Reichstag during most of the period of the Weimar Republic, declared that Germany should take the first step if she was to achieve a reconciliation with Israel and the Jews. "We Social Democrats," he said, "will therefore back wholeheartedly the announced steps of the Bundes Government. We only wish that they had been taken earlier and with greater emphasis."

* An explanatory table will be found in Appendix IX.
* See Appendix V for full text.
Similar views were expressed by Dr. Heinrich von Brentano in speaking for Adenauer's Christian Democratic Union: "The degree of respect which we extend to other human beings, including our Jewish compatriots, will determine the degree of respect which we ask for ourselves."

Dr. Hermann Schaefer, a leader of the Free Democratic Party, declared himself in full agreement with the Chancellor's statement as the basis for "practical humanity." Similar sentiments were expressed by Dr. Bernhard Reismann, spokesman of the Center Party, and Dr. Hugo Decker of the Bavarian Party. Dr. Decker stated that "whoever recognizes the state of justice must commit himself to the statement of the Chancellor which our party appreciates and supports."

Dr. Hans-Joachim von Merkatz of the right-wing German Party said: "We not only approve the statement of the Government but we back it wholeheartedly because it is necessary to make good the crime against Godliness and human justice."

Dr. Hermann Ehlers, Speaker of the Bundestag, told the chamber that its task would be to implement the Government's statement through appropriate legislation.

Reaction to Chancellor Adenauer's statement was also favorable outside the Bundestag. Dr. Schumacher enlarging on his party's official statement, said the Social Democrats considered it a duty to bring home to all political bodies in Germany the need for action on the question of restitution.

John J. McCloy, then U.S. High Commissioner for Germany, telegraphed Adenauer that he was "very much impressed" by the tone and content of his statement, adding, "I congratulate you on the position you have taken." Mr. McCloy had once described the solution of the German-Jewish problem as "a test for Germany's democracy."

Adenauer's statement was widely featured and editorially endorsed in the German press. It was also received favorably by major newspapers in the Western world. The London Times of October 10, 1951 commented: "It may be argued that this declaration is three years too late . . . For the sake of the German people however, if not for the Jews, it was important that this declaration be made. The most practical proof of repentance is to compensate the survivors of that historic crime." The New York Times of September 29, 1951, welcomed Adenauer's statement "as proof of moral regeneration." The New York Herald-Tribune said on October 4, 1951: "In recognizing the idea of collective restitution, the Bonn Government has opened the way for practical discussions."

Jewish circles however, received the Adenauer declaration with
caution. The Israel Government stated that the Chancellor's statement appeared to represent an attempt on the part of the German Federal Republic "at least to face this grave issue and to initiate some measure of moral and material reparation to the Jewish people." The Israelis noted in particular "that the declaration is accompanied by an appeal to the German people to divest themselves of the cursed heritage of anti-Semitism and racial discrimination . . . It is imperative, furthermore, that the German people undertake a measure of collective restitution by making a major contribution toward the absorption and rehabilitation of the survivors of Nazi persecution, the bulk of whom have found a home in Israel." The Israel Government promised further study of the Chancellor's statement and said it would make its attitude known in due time.

Nevertheless, the Adenauer statement sparked a heated debate in Israel where extremist opinion alleged that acceptance of compensation would imply "moral approval" of Germany, thereby adding "insult to injury." But the majority view in Israel and among Jews throughout the world was that efforts to secure compensation for at least part of the losses suffered by Jewry under the Nazis was imperative and in no way implied forgiveness for German crimes.

These efforts centered around one man—Dr. Nahum Goldmann, Chairman of the Jewish Agency for Palestine. One of the top leaders of the World Zionist movement and a founder of the World Jewish Congress, Dr. Goldmann had been raised and educated in Germany, held degrees from the Universities of Heidelberg, Marburg and Berlin, and had devoted his career to a dual struggle for Jewish rights and Jewish statehood. After incurring the wrath of the Nazis in 1933, he fled from Germany only a few days before his name was placed on Hitler's "death list."

Speaking in Baltimore in 1941, when the world had only a faint inkling of the enormity of Nazi crimes against the Jews, Dr. Goldmann enunciated the principle that the Jewish people as a whole were entitled to receive restitution for the damages resulting from Nazi depredations. In the summer of 1951, ten years later, Dr. Goldmann had several meetings with emissaries of the new German Government. He laid before them, for the first time, the Jewish people's demand for just compensation. These unofficial and exploratory meetings set the stage for the events that were to come.

Dr. Goldmann considered two steps vital before Jewish claims could be formally submitted: (1) a unified Jewish effort to attain this goal; (2) a "central address" of the Jewish people must be established in order to facilitate German-Jewish contacts. Both of these objectives
GERMANY'S MORAL DEBT

were accomplished when, in the early autumn of 1951, Dr. Goldmann invited the representatives of major world Jewish organizations to discuss the problem. The resultant conference represented an undertaking in which the majority of Jewish world groups were united.

Meeting in New York on October 25th, twenty-two organizations joined forces to establish the Conference on Jewish Material Claims Against Germany (hereinafter referred to as the Conference). In a resolution adopted at its first meeting, the Conference stated:

"The significance of the statement made by the Chancellor of the German Federal Government on September 27, 1951, and approved by the West German Parliament, acknowledging that the unspeakable crimes committed during the Nazi regime impose on the German people to make amends, will be judged by the speed and extent of its implementation. The Conference notes that no acknowledgement of responsibility or readiness to make any amends has been made by Eastern Germany.

The Conference

1. Records its wholehearted support of the claim advanced by the Government of Israel in respect of the rehabilitation in Israel of victims of Nazi persecution.

2. Demands satisfaction of all other Jewish claims against Germany including claims for restitution and indemnification by individuals, successor organizations and others, and for rehabilitation of the Jewish victims of Nazi persecution.

3. Calls for immediate steps to improve existing restitution and indemnification legislation and procedures, to enact such legislation where it does not exist and to speed up the settlement of Jewish claims in these fields."

At his first meeting with Chancellor Adenauer in London on December 6, 1951, Dr. Goldmann came not only as the representative of Israel, which had no diplomatic relations with Germany, but as the President of the Conference representing major Jewish groups of the free world. Dr. Goldmann presented to the Chancellor the Jewish position. He emphasized the psychological reaction manifest in some Jewish spheres against any dealings with Germany. Later, in commenting on his meeting with the German leader, Dr. Goldmann related that the Chancellor had told him: "As we sit here, I feel the wings of history brushing my shoulder." Irony was also present. Dr. Goldmann felt. The irony lay in the identity of the two men: one of them had been stripped of his political office under Hitler and the other had been condemned in absentia for "high treason."

The London discussions were confirmed in a letter to Dr. Goldmann
from Chancellor Adenauer\* in which the latter expressed West Germany's willingness to accept as a basis for negotiations the Israel Government's note of March 12, 1951, in which a claim was made for one billion dollars. A claim for a half billion dollars submitted via the Soviet Union to the East German Government was ignored.

On January 15, 1952 the Israel Government went before the Knesseth (Parliament) and obtained over strong protests by the opposition, authorization for direct negotiations with the Germans.

Five days later the Conference on Jewish Material Claims Against Germany met in New York and adopted a decision to negotiate with the Germans. Thus the stage was set for the first meeting between the representatives of Israel and world Jewry with the German Government.

German Public Opinion

The climate of German opinion was indicated by the results of the first of two polls conducted by a German research institute on behalf of the High Commissioner of Germany. The following portion of the report of the poll, published on December 5, 1951, has special bearing on the problems of restitution and indemnification:

When questioned as to whether the Jews should receive help for their suffering under the Third Reich, two-thirds of the Germans answered in the affirmative. This extent of approval of Jewish restitution might appear to be rather favorable in view of the general disclaimer of responsibility for the action of the Third Reich. However, negative elements in the picture become more evident with further consideration. The question was asked:

"If Jews and some other groups should get help, which of these groups would have the greatest right in your opinion to get such help and which group would come in the last place? Table I answers this question:

<table>
<thead>
<tr>
<th></th>
<th>West Germany</th>
<th>British</th>
<th>U.S.</th>
<th>French</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jews should receive help</td>
<td>68</td>
<td>71</td>
<td>65</td>
<td>63</td>
</tr>
<tr>
<td>Jews have greatest right</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Neither greatest or least</td>
<td>49</td>
<td>51</td>
<td>48</td>
<td>45</td>
</tr>
<tr>
<td>Jews have least right</td>
<td>17</td>
<td>18</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Jews should receive no help</td>
<td>21</td>
<td>17</td>
<td>23</td>
<td>28</td>
</tr>
<tr>
<td>Don't know whether Jews should receive help</td>
<td>11</td>
<td>12</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>(Number of cases)</td>
<td>(1201)</td>
<td>(622)</td>
<td>(458)</td>
<td>(123)</td>
</tr>
</tbody>
</table>

* See Appendix VI.
"Another question was: 'As you know the Federal Government is trying to provide for those who suffered damage during the war of the Third Reich. Which of these groups should receive such help and which not?' The Jews ranked last, as the following table indicates:

<table>
<thead>
<tr>
<th>West Germany</th>
<th>Should Receive</th>
<th>Should Not</th>
<th>No Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>War-widows and orphans</td>
<td>96</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>People who suffered damage through bombing</td>
<td>93</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Refugees and Expellees</td>
<td>90</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Relatives of people executed because of participation in attempt on Hitler's life on July 20, 1944</td>
<td>73</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>Jews who suffered through Third Reich and war</td>
<td>68</td>
<td>21</td>
<td>11</td>
</tr>
</tbody>
</table>

A glance at the first table will show that the 21 per cent who opposed Jewish aid, plus the 11 per cent who pleaded ignorance and the 17 per cent who would place the Jews last in line for help, added up to 49 per cent who could not be counted upon to support restitution and indemnification measures.

The First Hague Talks

The first step in arranging a meeting between Germans and Jews was the selection of a suitable site. The Jews, for obvious reasons, would not go to Germany. The Netherlands Government offered facilities in The Hague, seat of the World Court and the scene of many an historic international meeting. This offer was accepted.

On March 21, 1952, the talks were opened in a castle at Wasenaar, The Hague. Since extremists had threatened the lives of the negotiators, strict security measures were taken.

The talks were carried out between teams of experts representing Israel and the Conference on Jewish Material Claims Against Germany on one hand, and the German Government on the other. The man appointed by Israel to head its negotiating team was Dr. Giora Josephthal, an authority on the absorption of refugees—the crux of Israel's claims against Germany. The Treasurer of the Jewish Agency for Palestine and head of its Absorption Department, Dr. Josephthal was born in Germany and came to Palestine during the Hitler regime. Though he held a Heidelberg doctorate, he lived on a kibbutz (col-
lective agricultural settlement) and was its baker for a short period. During the war he was instrumental in rescuing Jews from Nazi-dominated Europe.

Dr. Josephthal acted jointly with Dr. Felix Shinnar, also a native of Germany who came to Palestine in 1934 having been active in various economic positions. In 1949 he became Economic Counsellor to the Israel Legation in London and is presently the head of the Israel Mission in Cologne with the rank of Minister Plenipotentiary.

The Conference negotiators were headed by Mr. Moses Leavitt, Executive Vice Chairman of the Joint Distribution Committee.

The German team was led by Professor Franz Boehm, the first post-war dean of the Johann Wolfgang Goethe University in Frankfurt-Main, a man who on several occasions had publicly recognized Germany's guilt for crimes against the Jews. Professor Boehm negotiated with the Israelis. His deputy was Dr. Otto Kuester of Stuttgart, a prominent anti-Nazi and a leading authority on restitution as well as indemnification legislation.

The first meetings between Germans and Jews were conducted in an atmosphere of cold formality. There was no hand shaking, nor were there any personal contacts outside of the meeting rooms. The Germans and Israelis conferred in the rooming. The Conference team met separately with the Germans in the afternoons.

Long before the Hague talks, Jewish leaders had repeatedly stressed that material losses under the Nazis were of such staggering proportions that they could never be translated into fixed monetary terms. The talks with the Israelis, therefore, centered around the demand that Germany pay a billion dollars for the expense of integrating some 500,000 refugees from Nazism who had found haven in Israel.

In their opening statement, the Israelis made it clear that satisfaction of this claim could in no way be interpreted as constituting expiation for the murder of millions of Jews and the destruction of ancient European Jewish communities. In his opening statement to the Israelis, Professor Boehm acknowledged Adenauer's statement of September 27, 1951, and declared that Germany's obligation to make good her wrongs meant more than material restitution and indemnification. He indicated, however, that Jewish claims would have to be considered in the light of Germany's other financial obligations.

Negotiations in behalf of the Conference dealt mainly with improvement of German restitution and indemnification legislation. Only in the final days of the meeting did the Conference submit a demand for $500 million for the relief and rehabilitation of Nazi victims living outside of Israel. Speaking for the Conference Mr. Leavitt declared
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at the opening session that the Germans would be responsible for taking action "in the spirit which we believe animated the statement of Chancellor Adenauer and which will demonstrate the intention of the German Federal Republic to make amends."

The German negotiators recognized Israel's claim for 4.5 billion marks to cover the cost of absorbing 500,000 refugees. They acknowledged that West Germany was obligated to pay two-thirds of this amount, 3 billion marks, and promised to recommend this to the Bundes Government, but emphasized that the recommendations of the negotiating team were in no way binding upon the West German Government.

It was apparent from the beginning that certain influential banking interests in Germany were seeking to gauge the amount and terms of the payment to Israel by the results which Germany hoped to achieve from a conference, than in progress in London, for a settlement of Germany's pre-war commercial debts. This principle was advocated by banker Hermann Abs, Adenauer's chief advisor on debt problems, with the strong backing of Finance Minister Fritz Schaeffer. Were this principle adopted, whatever came out of the London conference would apply to Israel and Jewish claims. If it was decided, for example, to settle Germany's pre-war commercial debts at a third of their value, Israel and Jewry would receive no more than a fraction of the debt which the Germans had previously acknowledged.

The Israel Government emphatically opposed this. Because of their tragic origins, the Israel and Jewish claims were considered entirely outside the scope of the London conference. Professor Boehm and Dr. Kuester agreed with the Israel stand, but they and their associates were in no position to make any concrete offer as to the amount payable or as to when and under what terms it was to be paid.

On April 8th, therefore, the Israel Government declared that it found the German proposal "entirely unsatisfactory." In making a distinction between the amount of the obligation which Germany recognized as its debt towards Israel and the actual sum that it might eventually pay, "the German delegation introduced a completely new element into the negotiations," the Israelis charged. They demanded a clear statement of the German position on the following basic issues:

(a) The amount for which the German Government would accept liability.

(b) The period over which the discharge of the German obligation would be spread.

(c) The principles of implementation of the German obligation,
including general proposals for the period required for the delivery of goods (as well as on the type of goods) to the extent that the Israel claim would be settled by the delivery of goods and the extent that these claims would be settled in hard currency.

The German negotiators consulted Bonn and returned with Adenauer's promise that concrete proposals would be made. However, on April 9, 1952 the Germans declared they would be able to reply to Israel's points only after the resumption of the London debt conference. The deadlock which had developed over Israel's demands was paralleled by a stalemate between the Germans and the Conference negotiators. While the Germans generally agreed that restitution and indemnification legislation would stand improvement, they took no position on the Conference's demand for $500 million in bulk settlement for unclaimed and heirless property.

The Hague talks were suspended on April 9th, the German negotiators promising a reply to Israel within a month after the resumption of the London debt conference. Both the Israelis and the Conference made it plain that nothing less than a concrete offer from the Bundes Government could persuade them to resume negotiations at The Hague. Meeting with Chancellor Adenauer on April 20th, Dr. Goldmann expressed apprehension over the delay and the consequent air of uncertainty.

Crisis in May

During April and May of 1952, while the German reply was awaited, a further crisis developed. There developed a schism within the German Government itself. The points of contention were the amount and terms of the offer to be made to the Jews and whether this offer should be made dependent upon the outcome of the London debt conference. The German Cabinet and Parliament was divided. Chancellor Adenauer and his close associates, Secretary of State Walter Hallstein and Assistant Secretary Herbert Blankenhorn favored global payments to the Jews unattached to any settlement of commercial debts. A majority in the Bundestag favored this view. Foremost were Professor Carlo Schmid, head of the Foreign Policy Committee, and Dr. Kurt Schumacher leader of the Social Democratic Party. When Professor Boehm testified before the Foreign Policy Committee on May 6th, the majority agreed with his view that Jewish claims should have priority over commercial debt claims.

When the debt conference was resumed in London, Mr. Abs, chief of the German delegation, insisted that any financial obligations toward Israel depended upon the outcome of the conference. He
argued strenuously that Germany must give equal consideration to all of its financial obligations whether they have moral, legal, or any other basis. At a press conference in Bonn in May, 1952, he said, "It has to be paid out of the same purse, and you can pay only according to Germany's ability."

Abs hoped to postpone the negotiations indefinitely. With the concurrence of the Finance Minister Schaeffer, he offered Israel, on May 19, 1952, approximately 100 million marks per year for twelve years, as a substitute for a final settlement. Abs and Schaeffer believed that Israel's need for money was so great that she would accept any offer. It was summarily rejected. On the same day, Professor Boehm and Dr. Kuester, leaders of the German negotiating team, announced that they had resigned in protest against the German Government's unwillingness to make good its promise to Israel. As Dr. Kuester explained, the Government had not shown a "sincere will to make a settlement."

On the same day, Dr. Goldmann wrote to Chancellor Adenauer expressing keen disappointment over the turn of events delaying the concrete offer which Germany had promised at The Hague. A copy of Dr. Goldmann's letter was forwarded to U.S. High Commissioner McCloy."

Chancellor Adenauer felt that if his commitment of September 27, 1951, was to be carried out, the deadlock must be broken. He urged Professor Boehm to withdraw his resignation and to determine from Dr. Goldmann whether the Boehm team's original offer of 3 billion marks would be a suitable basis for resuming the Hague negotiations. Boehm went to Paris where he discussed this offer with Dr. Goldmann, Dr. Josephthal, and associates.

Boehm's plan provided that the German Government should pay Israel 3 billion marks over a period of twelve to fourteen years. For the present, Israel would receive payment in goods only—the type and amount of yearly installments would be flexible. A mixed commission was to determine, year-by-year, the particulars of delivery. Should Germany be in a position to receive a dollar loan, such funds would be made available to Israel. Dr. Goldmann and his associates accepted Boehm's suggestion as a basis for the resumption of negotiations, although they were critical of some points of his plan.

On May 28th, Adenauer met with Dr. Goldmann again in Paris and assured him that a concrete German offer would be forthcoming. On June 9th, at the urgent invitation of Adenauer, Goldmann flew to Bonn. He was accompanied by Dr. Felix Shinnar and Dr. Noah

*See Appendix VII.*
Barou, Chairman of the European Section of the World Jewish Congress. The Germans were represented by Secretary of State Walter Hallstein, Assistant Secretary Herbert Blankenhorn, Hermann Abs, Professor Boehm, and Dr. Abram Frowein, an official of the German Foreign Office.

The Bonn meeting further clarified Boehm’s plan and brought about a tentative agreement on the $500 million demand of the Conference which had been ignored by the Germans at the Hague talks. The Bonn Government agreed to honor this claim equivalent to $107 million—the sum to be paid to Israel in goods and the latter was to reimburse the Conference accordingly. While the Germans insisted on a time spread of twelve to fourteen years, the possibility of seeking a foreign loan to shorten this period was included in the agreement. On June 10th, the Bonn conferees drafted a final agreement based on the original Boehm plan, as follows:

“Minutes of the conference between Messrs. Goldmann, Shinnar, State Secretary Hallstein, Prof. Boehm, Dr. Frowein and Mr. Abs on June 10, 1952.

“A scheme of an offer to be made by the Federal Republic of Germany at the resumption of the negotiations with the State of Israel and the Conference of Jewish (Material) Claims (Against Germany) on June 9, 1952, the following is mutually planned:

“1) The claims of the State of Israel and the Jewish Claims Conference for heirless claims will be dealt with together. The Bundes Republic discharges, in agreement with the Conference, exclusively to Israel. The settlement of the Conference’s claims is left to negotiations between Israel and the Conference.

“2) As total amount of payments according to Fig. 1 an amount of 3.4 billion marks is considered.

“3) a The two first annuities (from time of agreement coming into force until March 31, 1954): 2 x 200 million marks — 400 million marks.

b As of April 4, 1954 ten yearly payments of 250 million marks each.

c The non-covered part (500 or 600 million respectively) shall be discharged foremostly from the proceeds of a foreign loan, which Germany will try to get, or from other sources which the Bundes Republic will try to make accessible. If, contrary to the expectations of the Bundes Republic, such possibility does not, or not in full extent, appear, it is planned to increase the ten yearly payments by 50 million marks per year. However, considering the yearly burden, the Bundes Republic reserves the right to negotiate with the State of
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Israel again after about three years, on the possibility of discharging these additional 50 to 60 million marks yearly payments in two further yearly payments, following the other payments.

4) Should the efforts of the Bundes Republic to raise higher amounts than the above mentioned 500 to 600 million marks be successful, such amounts will be used for discharge of the respective final yearly payments.

5) The composition of goods to be delivered to Israel by the Bundes Republic will be subject to special negotiations and agreement. Principally, such goods shall not be limited to German products only. Rather shall goods be included—as far as the interstate trade agreements and the international payment agreements permit—which wholly, or as part raw products, were bought from a third country.

6) The goods shall principally serve the development of Israel. Possible sale of the delivered goods shall be settled by mutual agreement.

7) Catastrophe clause.”

"Concerning the claims of the Conference the Chancellor declared that a certain payment had to be made to the Conference and he would support an amount of 500 million DM to be paid by deliveries of goods to Israel."

Chancellor Adenauer submitted this tentative agreement to his Cabinet. On June 17, 1952, it was approved. This was the “concrete offer” for which Israel had waited so long. It opened the way for resumption of negotiations at The Hague.

Second Hague Talks

The second Hague talks, which began on June 28, 1952 also took place at Wassenaar. The atmosphere was far less formal than at the first meetings. Boehm’s proposals which had been agreed upon earlier at Bonn, formed the basis of the new talks. The negotiating teams met throughout the summer and a final agreement was hammered out.

Dr. Otto Kuester, who had resigned in protest following the breakdown of the first Hague talks, had taken the position that indemnification was a matter of right, regardless of social needs, merits, or any other consideration. Whatever agreements had been reached on this approach during the first Hague talks were repudiated by the Germans at the second Hague meeting apparently on instructions from the Minister of Finance. These topics had to be covered anew.
The Agreement

The second Hague talks adjourned on September 9th. Next day, an agreement was signed at Luxemburg where Chancellor Adenauer was attending a meeting of Western European Foreign Ministers.

Foreign Minister of Israel, Moshe Sharett and Chancellor Adenauer affixed their signatures to the agreement with Israel. Two protocols, one committing Germany to adopt a legislative program for individual restitution and indemnification, and one obliging Germany to pay 450 million marks to the Conference were signed by Chancellor Adenauer and by Dr. Nahum Goldmann, acting in his capacity as President of the Conference. These protocols constitute Executive agreements and have not become laws, though they were published together with the Israel Treaty in the Bundesgesetzblatt of March 21st, 1953. As stated in article 16(b) they are “for reference only.” The sum, the equivalent of $107 million, was to be paid to Israel and transmitted to the Conference for use in relief, rehabilitation (social and cultural) and resettlement of Jewish victims of Nazi persecution living outside of Israel.

The agreement with Israel contained annexes, letters, and the schedule of deliveries of various categories of goods to be sent to Israel. These consisted mainly of ferrous and non-ferrous metals, steel products, chemicals, and agricultural implements. The annex to Article 7 dealt with transportation and the handling of financial technicalities with the Deutsche Laender Bank.

Article 17 provided that the agreement “shall be ratified with the least possible delay in accordance with the constitutional procedures of the contracting parties.”

The agreement signed at Luxemburg set a precedent in international law. The German Government had negotiated not only with representatives of Israel, which had no diplomatic relations with Germany, but recognized the representatives of world Jewry, thereby recognizing that the Jewish people as a whole had suffered grave injury resulting from Nazi persecution and were legally entitled to compensation.

In Israel, approval of the Cabinet constituted ratification. In Germany, the Bundestag (Lower House) and Bundesrat (Upper House) were required to approve the agreement.*

The matter, however, was no longer alone in the hands of Chancellor Adenauer and his associates. Ratification was subject now to changeable moods and tempers of German politicians and vested party interests. Elections for a new Bundestag were scheduled for

*Full text of the agreement can be found in Appendix II.
September 1953, German politicians and party leaders were extremely sensitive to public opinion. The fate of the Luxemburg agreement was in the hands of the German public.

**Arab Intervention**

No group was better aware of the situation than the Arabs who, since their military defeat in 1948, had been waging economic and political warfare against Israel. The Arab League reacted violently to the Luxemburg agreement. Arab propagandists descended upon Germany with the avowed purpose of sabotaging the agreement by preventing ratification. Under the leadership of Egypt and Syria, they used every conceivable means to sway German opinion.

The Arab delegations set up headquarters in Germany, arranged press conferences, and managed to secure editorial backing from some newspapers previously favorable to the Israel agreement. They even made some inroads in the Bundestag. However, their intemperate attacks, made on German soil against the German Government, particularly the Foreign Office, violated every principle of diplomatic courtesy and—in the long run—injured their cause.

The Arabs hammered away on the theme that Israel was not entitled to reparations because Nazi persecution of the Jews ante-dated her establishment as an independent State. Although nothing of any possible military value was listed in German goods destined for Israel, the Arabs alleged that such goods would strengthen Israel's war potential and constitute a breach of neutrality by the Germans. They made much of the "traditional friendship" between the Arab countries and Germany. Many German newspapers echoed this theme, though some noted that such friendship was strongest when Hitler ruled Germany and the Grand Mufti was his "de facto" ally in the policy of exterminating Jews.

Finally, the Arabs threatened to boycott German goods if the Israel agreement was ratified. Their propaganda drive, however, might have made little headway were it not seized upon by elements in Germany which had always opposed the agreement. These elements consisted chiefly of German businessmen and manufacturers with financial interests in the Middle East. They found some support in the Bundestag.

Franz Josef Strauss, one of the leading personalities of the Chris-

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*See Prof. Boehm: Die Luxemburger Wiedergutmachungsverträge und der arabischen Einspruch gegen den Israel-Vertrag, March 1953, printed as manuscript.

* He became a Minister without portfolio in the second Adenauer cabinet.
tion Social Union, the Bavarian wing of Adenauer's Christian Demo-
cratic Union, wrote on February 10, 1953: "The Bundes Republic of Germany must value the traditional good relations of Germany with the Arab States, which must be maintained and fostered. I do not consider it impossible that a way can be found to fulfill the duties of restitution toward the Jews and, at the same time, maintain friendship with the Arabs." Strauss also criticized the failure of the German Government to advise the Arabs in advance of its intention to conclude an agreement with Israel.

The concern that certain German businessmen manifested over the possibility of losing Arab markets was not commensurate with the ratio of German trade with the Arab countries. In only two cases—the oil producing countries of Iraq and Saudi Arabia—was the German trade balance with the Arabs unfavorable. Egypt, the largest of the Arab states and the biggest potential market for German goods, was a heavy exporter to Germany, chiefly of cotton. Although Egyptian Government policies had inflated the price of Egyptian cotton, Germany continued to buy it. The London Economist, on November 29, 1952, warned the Germans that "Arabs are hard bargainers if they think they have their adversary on the run." The Economist added: "This too obvious (German) anxiety almost certainly encouraged them to take up a stiffer attitude. There were, at one time, distinct signs that some (Arab) states were aware of the harm a boycott would do them and that they would have liked to escape from the propaganda position they have taken up."

The Arabs, undoubtedly, succeeded in frightening many Germans with their boycott threats. The Bonn Government rejected the Arab arguments and pledged to keep faith with the Jews. Adenauer hoped for unanimous agreement within his Cabinet. However, when at the end of December, 1952, he moved to submit the Luxemburg agreement to Parliament he ran into strong opposition from Finance Minister Fritz Schaeffer and Heinrich Hellwege, Minister for the Bundesrat and a member of the right-wing German Party.

The Bundes Government's announcement that it would send a special trade mission to the Arab countries was regarded by those who favored the Israel agreement as appeasement of the Arabs. The trade mission, headed by Dr. Ludgar Westrick, of the Ministry of Economics, arrived in Cairo early in February, 1953. The Egyptians promptly demanded from the Germans long-term credits equal to what Germany had obligated herself to pay Israel and world Jewry. This exaggerated demand amounted to "restitution for restitution." German opinion, which had been steadily developing in favor of the
Arabs, began to shift. Furthermore, the Egyptians committed another blunder by inviting an East German trade delegation which arrived in Cairo shortly after the West German group had started negotiations.

The German Press

Under the impact of Arab propaganda, German newspapers which upheld the Luxemburg agreement in principle began to suggest more and more frequently: (a) postponement of ratification until an agreement could be reached with the Arab states; (b) changing the terms of the agreement so that payment could be made either through the Jewish world organizations or through the United Nations, and execution of the Agreement under United Nations supervision.

On the basis of its attitude throughout the period of negotiation up to the signing of the Luxemburg Agreement, the German press could be divided into four categories regarding issues of restitution and indemnification.

The first consisted of thirteen newspapers, with a combined circulation of 1,300,000, unreservedly favoring Jewish claims and the principle of reconciliation with the Jews. Among these papers were the Sueddeutsche Zeitung of Munich (circulation: 205,000) the Telegraph of Berlin (circulation: 227,000) the U.S. owned Neue Zeitung* circulation: 215,000) and the Frankfurter Rundschau (circulation: 150,000).

The second group represented sixty publications with a total circulation of nearly three million, including such newspapers as the Frankfurter Allgemeine (circulation 87,000) spokesman for powerful industrial interests, the Hamburger Abendblatt (circulation 250,000) organ for shipping and banking interests, and the weekly Rheinische Merkur close to Adenauer on all other matters. This group of newspapers favored reconciliation with the Jews but placed Jewish claims after Germany's obligations to her own refugees, her trade interests, and her ability to pay reparations in hard currency. These reservations were expressed more frequently as the Arabs attempted to thwart the agreement.

Constituting the third group were seven papers, with a total circulation of slightly under 1 million, vociferously opposed to the Israel agreement. Among these were the illustrated weekly Der Stern (circulation 600,000); Der Spiegel, of Hamburg which sometimes vacillated in its attitude; and the Aachener Nachrichten.

The fourth group was made up of publications which took no stand.

*This paper was suspended in September 1953.
on the question but merely reported the progress of German-Jewish negotiations.

Communist Opposition and Propaganda

From the outset, the Communist government of East Germany, backed by the Soviet Union, strongly opposed the payment of reparations to Israel and the principle of restitution and indemnification for Jews at home. The Conference also reported no response from Eastern Germany on the question of restitution. Of the four Allied occupation powers in Germany, the U.S.S.R alone failed to reply to the Israel notes of January 16 and March 12, 1951 (see page 9 supra). When the Communists broke their initial silence, it was to launch a violent propaganda barrage, first against the West German negotiations with Israel and world Jewry, and later against ratification of the Luxembourg agreement.

Communist policy was dictated by many factors. Basically, there was the old Communist doctrine which refused to recognize the Jews as people and hence could not acknowledge Jewish claims represented by a Jewish state. Closely linked to this was the vigorous campaign of suppression then in progress against Jews and other minorities in the U.S.S.R. and her puppet countries. Moreover, the Soviet Union feared that if Jewish claims were recognized by East Germany, the door would be opened to the equally legitimate Jewish claims on other satellites such as Poland, Hungary, and Rumania whose war-time governments had collaborated with the Nazis. The Communist regimes in these countries had taken over Jewish property originally confiscated by the Nazis and were not eager to restore it. Finally, the Communists of East Germany feared that the successful conclusion of an agreement between West Germany and the Jews would focus world attention on their own obdurate stand and would score an effective propaganda point for the West.

The increased intensity of Communist propaganda campaign coincided with the Prague trials and the purge of Rudolph Slansky, former Secretary General of the Communist Party in Czechoslovakia. One of the charges leveled against Slansky was that he had been a "tool" of the Zionists. The Communist campaign against the Israel agreement centered around the allegation that Israel was a "tool" of the United States and that the reparations agreement was nothing more than a "capitalist machination," that only the Americans would benefit. The contention, by the Communist East Berlin newspaper Neues Deutschland, that ratification of the Israel agreement would
injure trade relations with the Arabs was quoted in an article circulated by a Communist news syndicate in West Germany.

Though ideologically far apart, the Communist propaganda was frequently paralleled by arguments of ex-Nazis and some German industrialists. Hitler's former Minister of Finance, Hjalmar Schacht, alleged in Damascus that Germany was pressured into the agreement by the Allies. Bundestag member Franz Joseph Strauss of the Christian Social Union warned in the January issue of Chemische Industrie that ratification of the Israel agreement might lose Germany a potential Arab market of up to 5 billion DM over the next ten years.

**Luxemburg Agreement Submitted to Parliament—The “Flag Crisis”**

The West German Government had repeatedly pledged itself to stand by the Luxemburg Agreement. However, in order to placate German industrialists and manufacturers who feared possible loss of Arab markets, the Government delayed submission of the Agreement to Parliament while attempts were made to negotiate a trade treaty with the Arab states. Because of the Arabs' excessive demands, these attempts were unfruitful.

Proponents of the Agreement urged prompt ratification in order that the Agreement should become operative on April 1, 1953, the beginning of the fiscal. On January 25, 1953, Chancellor Adenauer gave Dr. Goldmann his personal assurances that the measures would be submitted for ratification in time. A pledge to press for speedy ratification was made on February 4th by Erich Ollenhauer, who became the leader of the Social Democratic Party after the death of Kurt Schumacher a few months earlier. A similar promise was made by Walter Freitag, chairman of the powerful German Trade Unions. The Luxemburg Agreement was discussed on the radio, in the press, and at public meetings. Ernst Lemmer, Berlin member of the Christian Democratic Union, broadcasted the issue over the Northwest German Radio. His mail response showed that 65 per cent of the listeners favored ratification while 35 per cent were opposed.

On February 13, 1953, the Cabinet formally approved the Agreement and prepared it for submission to Parliament.

The West German Parliament consists of two houses. The Bundestag, or lower house, is an elected body organized on the basis of party strength. The Bundesrat, or upper house, consists of appointed representatives of the ten Laender governments and the three zones of West Berlin. Before the Bundestag can act on a measure, the approval
of the Bundesrat is required. Ordinarily, this might have been a mere formality. But a new delay loomed.

The obstacle was the provision, in the annex 6A and B of the Luxemburg Agreement, which declared that goods destined for Israel not shipped in Israel flag vessels must be carried in shipping space provided by the German Government but not in ships flying the German flag. Although shipping representatives had agreed to this provision in August, 1932, German shipping circles protested bitterly. Their feelings were echoed in the Foreign Relations Committee of the Bundesrat by Prime Minister Hans Ehard of Bavaria and by the representative of the Free City of Bremen, a major shipping center. These Bundesrat members declared flatly that they would oppose ratification of the Agreement unless the "discriminatory" clause was deleted.

Appearing before the Foreign Policy Committee of the Bundesrat, on February 19, 1953 Secretary of State Walter Hallstein was subjected to a barrage of criticism on this issue. The Government announced that it would negotiate with the Israel Government, before ratification, to delete the objectionable clause. The Bundesrat accepted this promise and approved the Agreement on February 20, 1953.

Early in the afternoon of March 4th, the Agreement was submitted to the Bundestag for the first of the required three readings. It was then referred to the Bundestag's Foreign Affairs Committee although a strong minority attempted to sidetrack the measure by referring it to the Budget Committee and the Committee dealing with trade treaties. These dilatory motions were defeated.

On March 12, 1953 the Agreement emerged from the Foreign Affairs Committee for the second and third readings which by unanimous consent, were carried out simultaneously.

On March 18th, the Agreement was placed before the Bundestag for ratification. It appeared as the sixth item of business on an agenda crowded with such controversial matters, as a vote of censure against the Minister of Justice and a debate on a law favoring expellees from Eastern Germany. Shortly after 9 p.m., just twelve hours after the session had begun, the Israel Agreement came up for the crucial vote.

The Vote

Count Karl von Spreti, Rapporteur of the Foreign Affairs Committee and a member of the Christian Democratic Union, recommended ratification of the Agreement. He was followed on the rostrum by the spokesmen of the various parties, each of whom stated the majority

* See Appendix VIII.
view of his party and indicated whether or not the party was split on the issue. Spokesmen for the Christian Democratic Union and the Social Democratic Party made impressive statements in favor of ratification.

Shortly before 11 p.m. a roll call vote was taken. The Luxemburg Agreement was ratified by a vote of 239 to 35 with 80 abstentions; forty members of the Bundestag were absent.

A breakdown of the vote by parties is contained in the following tables:

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<th></th>
<th>West Germany</th>
<th>Berlin*</th>
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<td>19</td>
</tr>
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<td>Of those voted:</td>
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<td></td>
</tr>
<tr>
<td>Yes</td>
<td>239</td>
<td>16</td>
</tr>
<tr>
<td>No</td>
<td>35</td>
<td></td>
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<tr>
<td>Abstentions</td>
<td>88</td>
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Total as above: 360 19

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<tr>
<th>Coalition</th>
<th>CDU/CSU*</th>
<th>FDP*</th>
<th>DP*</th>
<th>Total</th>
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<td>84</td>
<td>17</td>
<td>5</td>
<td>106</td>
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<td>5</td>
<td>5</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Abstentions:</td>
<td>39</td>
<td>19</td>
<td>10</td>
<td>68</td>
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<tr>
<td>Excused</td>
<td>8</td>
<td>3</td>
<td></td>
<td>11</td>
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<tr>
<td>Unexcused</td>
<td>9</td>
<td>5</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>145</td>
<td>49</td>
<td>20</td>
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<th>SPD*</th>
<th>FU*</th>
<th>KPD*</th>
<th>Independents†</th>
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<td>Yes</td>
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<td>3</td>
<td></td>
<td>5</td>
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</tr>
<tr>
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<td>5</td>
<td>18</td>
<td></td>
</tr>
<tr>
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<td>2</td>
<td></td>
<td>3</td>
<td>9</td>
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<td>Unexcused</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>6</td>
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<td>Total</td>
<td>130</td>
<td>19</td>
<td>14</td>
<td>23</td>
<td>186</td>
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Recapitulation

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<th>No</th>
<th>Abstentions</th>
<th>Excused</th>
<th>Unexcused</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coalition</td>
<td>106</td>
<td>15</td>
<td>68</td>
<td>11</td>
<td>14</td>
<td>214</td>
</tr>
<tr>
<td>Opposition</td>
<td>133</td>
<td>20</td>
<td>18</td>
<td>9</td>
<td>8</td>
<td>186</td>
</tr>
<tr>
<td>Total</td>
<td>239</td>
<td>35</td>
<td>88</td>
<td>20</td>
<td>20</td>
<td>400</td>
</tr>
</tbody>
</table>

* CDU—Christian Democratic Union
* CSU—Christian Social Union (Bavarian arm of the CDU)
* FDP—Free Democratic Party
* DP—German Party
* SPD—Social Democratic Party of Germany
As shown above the Luxemburg agreement was ratified by the Bundestag with an overwhelming majority. It is significant, however, that the largest bloc of favorable votes was delivered by the Social Democratic Party. Chancellor Adenauer’s coalition was split. Only 106 out of 214 members cast affirmative votes. Fifteen voted “no” and the rest abstained. Among the latter were 39 members of the Christian Democratic Union, Adenauer’s own party, most of them from the Christian Social Union, its Bavarian branch. Two members of Adenauer’s Cabinet, Finance Minister Schaeffer and Minister for the Bundesrat Hellwege, abstained; Minister of Justice Thomas Dehler was not present. Another Cabinet Member, Minister of Transportation Hans Seebold, who belonged to the rightist German Party, voted affirmatively but subsequently attacked the Agreement in May 1953 at his Party’s convention.

The majority of abstainees represented special economic interests. Many of them, from the Rhine-Rhur industrial area apparently, took their cue from the Bundesverband der Deutschen Industrie whose president, Fritz Berg, had expressed his view in a letter as follows:

"Permit me to note that the Bundesverband is a purely economic organization and therefore it is not within its sphere to take a position on measures which have an outspoken political character. The Israel agreement has a preponderantly political note, and therefore is far removed from our economic consideration."

On the other hand, the Israel Agreement had a strengthening effect on democratic forces in Germany. An unofficial but strong coalition was welded together from among the 239 Bundestag members of the Christian Democratic Union, Social Democrats, and other parties who had voted in favor of ratification. This political force was the same that maintained constant vigilance against return of former Nazis into Germany’s postwar political affairs. They gave effective support to the individual indemnification law passed by the Bundestag in July, 1953.

The Christian Democratic Union and the Social Democratic Party, the two major political groups favoring the Agreement, were strength-
GERMANY'S MORAL DEBT

ened or held their own in the general elections of September, 1953, indicating that the program should run smoothly at least for the next few years.

**Germany's Obligation—A Recapitulation**

Finance Minister Fritz Schaeffer estimated that Germany's obligations under terms of the Luxemburg Agreement will total nine billion marks, the equivalent of $2,143,000,000, as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global payment: Luxemburg Agreement</td>
<td>3,000,000,000</td>
</tr>
<tr>
<td>Global payment to the Conference on Jewish Material Claims Against Germany</td>
<td>450,000,000</td>
</tr>
<tr>
<td>Relief and rehabilitation funds for Jews of Christian faith, persecutees</td>
<td>50,000,000</td>
</tr>
<tr>
<td>persecutees under Nuremburg laws (mixed marriages, half Jews, etc.)</td>
<td></td>
</tr>
<tr>
<td>Compensation for property seized by the Reich as stipulated in the General</td>
<td>1,500,000,000</td>
</tr>
<tr>
<td>Agreement</td>
<td></td>
</tr>
<tr>
<td>Indemnification under Bundes Indemnification Law</td>
<td>4,000,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>9,000,000,000</td>
</tr>
</tbody>
</table>

Israel and world Jewish groups are taking measures to assure the continuity of the Agreement in the event of any major changes in the status of Germany during the course of the next few years. At the Big Four Foreign Ministers' meeting in Berlin on January 23, 1954, a memo was submitted stressing this point, declaring that all legislation of the Bundes Republic, pertaining to restitution and indemnification, must become the law of the whole of Germany in the event of that country's reunification. The memo also points out that since the Bundestag on July 29, by the Bundesrat on July 31, 1953, adopted by the Bundestag on July 29, by the Bundesrat on July 31, 1953. *This figure from the Western German Finance Ministry is contested by many experts. Dr.Otto Küster estimates the overall sum for indemnification will reach only 50% of this amount. In view of the slow implementation of the law many of the claimants in the older age-brackets might be unable to benefit from the legislation.
APPENDIX I

MEMBER ORGANIZATIONS OF THE CONFERENCE OF JEWISH MATERIAL CLAIMS AGAINST GERMANY

Agudath Israel World Organization  
Alliance Israelite Universelle  
American Jewish Committee  
American Jewish Congress  
American Jewish Joint Distribution Committee  
American Zionist Council  
Anglo-Jewish Association  
B'nai B'rith  
Board of Deputies of British Jews  
British Section, World Jewish Congress  
Canadian Jewish Congress  
Central British Fund  
Conseil Representatif des Juifs de France  
Council for the Protection of the Rights and Interests of Jews From Germany  
Delegacion de Asociaciones Israelitas Argentinas (D.A.I.A.)  
Executive Council of Australian Jewry  
Jewish Agency for Palestine  
Jewish Labor Committee  
South African Jewish Board of Deputies  
Synagogue Council of America  
World Jewish Congress  
Zentralrat der Juden in Deutschland

EXECUTIVE COMMITTEE OF THE CONFERENCE

President: Nahum Goldmann  
Senior Vice-President: Jacob Blaustein  
Vice-Presidents: Jules Braunschvig, Samuel Bronfman, Rudolph Callman,  
Adolph Held, Barnett Janner, N. B.-  
rou, Henry d'Avidgor Goldsmid, Bt.,  
Frank Goldman, Israel Goldstein,  
Isaac Lewin, Shad Polier.  
Treasurer: Moses A. Leavitt  
Secretary: Saul Kagan

DELEGATION OF THE CONFERENCE OF JEWISH MATERIAL CLAIMS AGAINST GERMANY AT THE HAGUE

Moses A. Leavitt, head  
Maurice Benstein, member  
Alexander Easternman, member  
Seymour Rubin, member  
Jerome Jacobson, Secretary  
Legal experts: H. C. van Dam, Benjamin B. Ferencz, Fritz Goldschmidt,  
Richard Lacht, Nehemia Robinson

DELEGATION OF THE STATE OF ISRAEL

Giora Josephthal, Felix Shinner, joint heads;  
Gershon Ayner, member  
Eli Nathan, member  
Jacob Robinson, member  
Experts: S. Adler-Rudell, Georg Landauer
APPENDIX II

AGREEMENT BETWEEN THE FEDERAL REPUBLIC
OF GERMANY AND THE STATE OF ISRAEL

WHEREAS
unspeakable criminal acts were perpetrated against the Jewish people
during the National-Socialist regime of terror

AND WHEREAS
by a declaration in the Bundestag on 27th September, 1951, the Government of the Federal Republic of Germany made known their determination, within the limits of their capacity, to make good the material damage caused by these acts

AND WHEREAS
the State of Israel has assumed the heavy burden of resettling so great a number of uprooted and destitute Jewish refugees from Germany and from territories formerly under German rule and has on this basis advanced a claim against the Federal Republic of Germany for global recompense for the cost of the integration of these refugees

NOW THEREFORE
the Federal Republic of Germany and the State of Israel have agreed as follows:

Article 1
(a) The Federal Republic of Germany shall, in view of the considerations hereinbefore recited, pay to the State of Israel the sum of 3,000 million Deutsche Mark.

(b) In addition, the Federal Republic of Germany shall, in compliance with the obligation undertaken in Article 1 of Protocol No. 2 this day drawn up and signed between the Government of the Federal Republic of Germany and the Conference on Jewish Material Claims against Germany, pay to Israel for the benefit of the said Conference the sum of 450 million Deutsche Mark; the said sum of 450 million Deutsche Mark shall be used for the purposes set out in Article 2 of the said Protocol.

(c) The provisions hereinafter contained in the present Agreement shall apply to the total sum of 3,450 million Deutsche Mark so arising subject, however, to the provisions of Article 3, paragraph (c), and of Article 15.

Article 2
The Federal Republic of Germany will make available the amount referred to in Article 1, paragraph (c) of the present Agreement for the purchase, in pursuance of Articles 6, 7 and 8, of such commodities and services as shall serve the purpose of expanding opportunities for the settlement and rehabilitation of Jewish refugees in Israel. The Government of the Federal Republic of Germany shall, in order to facilitate the purchase of such commodities and the provision of such services, take the measures and accord the facilities as set out in Articles 5, 6 and 8.

Article 3
(a) The obligation undertaken in Article 1 of the present Agreement shall, without prejudice to the provisions of Article 4, be discharged by the payment of annual instalments, as follows:

(i) As from the coming into force of the present Agreement until 31st March, 1954, an amount of 200 mil-
lion Deutsche Mark for each financial year. The first financial year shall be deemed to be the period commencing on the date of the coming into force of the present Agreement and ending on the 31st March, 1953; thereafter, each financial year shall be the period commencing on the first day of April of one year and ending on the thirty-first day of March of the following year;

(ii) As from 1st April 1954, nine annual instalments of 310 million Deutsche Mark each and a tenth annual instalment of 260 million Deutsche Mark each subject to the provisions of sub-paragraph (iii) hereof;

(iii) Should the Government of the Federal Republic of Germany be of opinion that they cannot comply with the terms of sub-paragraph (ii) hereof, they shall, three months before the beginning of the third financial year, give notice in writing to the Israel Mission referred to in Article 12, of a reduction of the annual instalments payable under sub-paragraph (ii) hereof, provided, however, that the said annual instalments shall in no circumstances be allowed to fall below the sum of 250 million Deutsche Mark.

(c) The annual instalments hereinbefore referred to shall become due in equal amounts on the fifteenth day of August of each year.

The first annual instalment shall be paid as follows: —

60 million Deutsche Mark on the day of the coming into force of the present Agreement, and 140 million Deutsche Mark three months thereafter, or on 31st March, 1953, whichever date may be the earlier.

c) Any annual instalments paid in pursuance of the provisions of this Article shall, when paid, diminish the obligation undertaken by the Federal Republic of Germany in Article 1, paragraph (b) in the proportion which that obligation bears to the total sum payable, and referred to in Article 1, paragraph (c).

The Government of Israel shall, when such annual instalments have been received, pay to the Conference on Jewish Material Claims against Germany, or to its successor or successors, an amount in the proportion hereinbefore referred to, within one year from the receipt of such instalments.

(d) The annual instalments shall, in accordance with Article 9, be paid into the Account of the Israel Mission with the Bank Deutscher Länder or with any central bank of issue which may take its place.

Article 4

(a) The Federal Republic of Germany will endeavour, by increasing the annual instalments, to pay the sum payable in pursuance Article 1 of the present Agreement, within a period of time shorter than that which would result from all or any of the provisions of Article 3, paragraph (a).

(b) In the event of the Government of the Federal Republic of Germany obtaining an external loan or any other financial relief from external sources in a currency generally and freely convertible and destined exclusively for the purpose of financing the obligation undertaken in Article 1, the entire proceeds of such loan or relief shall be used for such purpose, and shall be applied to the last annual instalments payable under the present Agreement.

c) In the event of the Government of the Federal Republic of Germany obtaining an external loan or other financial relief from external sources in a currency generally and freely convertible and not destined for a specific purpose unconnected with the present Agreement, the Government of the Federal Republic of Germany...
Germany shall, if and insofar as they consider themselves capable of so doing, apply an appropriate portion of such loan or relief to financing the obligation undertaken in Article 1; in that event such portion shall be applied to the last two annual installments, or to any part thereof, unless the amounts due in respect of such installments shall have been previously redeemed.

(d) The proceeds referred to in paragraphs (b) and (c) hereof shall be made available to Israel in the currency in which, and at the time when, such loan or relief is obtained.

(e) Any redemption, whether premature or not, may be effected by the Government of the Federal Republic of Germany at any time in any currency generally and freely convertible, or in Deutsche Mark if and when the Deutsche Mark becomes generally and freely convertible, or in any other currency agreed upon.

(f) Whenever premature redemption of the whole or part of the sum still payable is offered in Deutsche Mark at a time when the Deutsche Mark is not generally and freely convertible, such redemption shall be accepted by Israel, provided that the proceeds thereof can be used for the purchase of commodities and services falling within the Schedule referred to in Article 6, paragraph (a), which may then be applicable, subject, however, to the provisions of Article 6, paragraph (e); the proceeds of such redemption shall be applied to the last annual installment or installments then payable.

(g) In the event of the obligation of the Federal Republic of Germany being prematurely redeemed, the Mixed Commission referred to in Article 13 shall decide whether, and if so, to what extent, having regard to all the relevant circumstances, a cash discount shall be granted to the Federal Republic of Germany in consideration of such premature redemption.

Article 5

(a) The delivery of commodities falling within the Groups comprised in the Schedule, shall in every respect be subject to the general conditions applicable at the time to the export from the Federal Republic of Germany of commodities of the same kind. There shall be no discrimination as compared with exports to any third country, in particular, also, insofar as prices are concerned which are now or may in future be subject to the effects of governmental action.

(b) Deliveries of commodities to Israel shall, in regard to taxation, be subject to the following treatment:

(i) Commodities delivered by suppliers in the Federal Republic of Germany under a contract of delivery with the Israel Mission shall, upon proof that they have been consigned to Israel in compliance with the terms of such contract of delivery, be deemed to be export deliveries ("Ausfuhrleiehungen") within the meaning of that term in the "Umsatzsteuergesetz in der Fassung vom 1. September 1951" (BGBl. I 791) and in the "Durchführungsbestimmungen zum Umsatzsteuergesetz in der Fassung vom 1. September 1951" (BGBl. I 796). The provisions of sections 23, 23 and 26 of the said "Durchführungsbestimmungen" shall be applied accordingly;

(ii) Deliveries of commodities effected on or after 1st April, 1953, shall be accorded the export traders' refund and the export refund ("Ausfuhrhändlerergänzung und Ausfuhrergänzung"), and the provisions of sections 70 — 80 of the "Durchführungsbestimmungen zum Umsatzsteuergesetz in der Fassung vom 1.
September 1951" shall be applied accordingly;

(iii) The provisions of the "Gesetz über steuerliche Maßnahmen zur Förderung der Ausfuhr vom 23. Juni 1951" (BGBl. I 405) relating to taxation on income and profits and the implementary provisions enacted or to be enacted thereunder shall not apply to deliveries of commodities under the terms of the present Agreement;

(iv) If any of the tax provisions referred to in sub-paragraphs (i) and (ii) hereof are amended, or repealed and replaced by tax provisions of a similar nature, such tax provisions shall, insofar as they are of general application, apply to deliveries of commodities to Israel.

(c) The Government of the Federal Republic of Germany shall take all necessary administrative measures for the carrying into effect of deliveries of commodities to Israel, in particular as the same may be required in connection with any internal economic measures, such as allocation of export quotas and the like, which now apply or which may in future apply to commodities of a kind to be delivered to Israel.

(d) Any internal restrictions imposed on the export of commodities from the Federal Republic of Germany shall apply to commodities to be exported to Israel only insofar as they are of general application to countries maintaining foreign trade relations with the Federal Republic of Germany.

(e) The commodities exported to Israel under the terms of the present Agreement shall not be re-exported to any third country, unless otherwise agreed by the Mixed Commission. This prohibition shall not apply to commodities which have undergone their final, substantial and economically justified transformation in Israel.

(f) In the event of such commodities being re-exported in a manner contrary to the provisions contained in paragraph (e) hereof, the Arbitral Commission referred to in Article 14 of the present Agreement, on finding that such export has taken place, shall be entitled to impose on Israel a penalty equivalent in amount to the value of such commodities at the time when the same were re-exported as aforesaid. The said penalty, if found to be due, shall be deducted from the annual instalment next payable.

Article 6

(a) The commodities and services to be purchased by the Israel Mission shall be comprised in Schedules.

(b) In laying down such Schedules account shall be taken especially of capital goods.

(c) Commodities delivered under the terms of the present Agreement may also be of non-German origin.

(d) The commodities and services included in the Schedule for the first two financial years shall be comprised in the following Groups:

Group I—Ferrous and non-ferrous metals;
Group II—Products of the steel-manufacturing industry;
Group III—Products of the Chemical industry and of other industries;
Group IV—Agricultural products;
Group V—Services.

(e) The amounts by which the annual instalments under the present Agreement may increase shall be apportioned as follows among the Groups mentioned in paragraph (d) hereof:

15% of the increase to go to Group I;
30% of the increase to go to Group II;
45% of the increase to go to Groups III and IV;
12% of the increase to go to Group V.

(f) The Schedules shall, as from 1st April, 1954, be laid down by the Mixed Commission on the basis of lists to be submitted by the Israel Mission for an agreed period of not less than one year, in accordance with the following provisions:

(i) The Israel Mission will submit to the Mixed Commission its list for deliveries not later than six months before the expiration of the Schedule then current;

(ii) The Mixed Commission shall meet not later than three months after receipt of the list referred to in sub-paragraph (i) hereof, in order to lay down, in accordance with the terms of this Article, the Schedule then following.

(g) Each Schedule laid down for a period subsequent to 31st March, 1954, shall, in principle, be based in its composition on the Schedule immediately preceding it. The Mixed Commission shall, however, be entitled to introduce modifications in such accordance with the terms of paragraph (f) hereof. In considering modifications in the composition of each Schedule the Mixed Commission shall take into account, in an appropriate manner, the requirements of Israel and the possibilities of the economy of the Federal Republic of Germany to carry into effect deliveries of commodities.

(h) In the event of the Mixed Commission failing to reach agreement on modifications, each such Schedule shall, subject to the provisions of paragraph (e) hereof, be based in its composition on the Schedule immediately preceding it, provided, however, that the foregoing shall not apply to modifications which have been agreed expressly as applying to a fixed period of time.

Article 7

(a) Purchases of commodities and services under the terms of the present Agreement shall be carried out solely and exclusively by the Israel Mission.

(b) Contracts for the delivery of commodities or the provision of services, in accordance with the Schedule in force for the time being, shall be concluded between the Israel Mission of the one part and German suppliers of the other part.

The procedure for the purchase of commodities of non-German origin shall be regulated by the Mixed Commission.

(c) The legal relations of the Israel Mission arising in connection with the delivery of commodities and the provision of services which fall within the ambit of private law shall be subject to German law.

(d) The procedure relating to the examination of orders placed by the Israel Mission with German suppliers is set out in the Annex to the present Article.

Article 8

(a) The amounts to be set aside for the provision of services under any Schedule in force for the time being shall be used for the payment by the Israel Mission of insurance and transport charges, of administrative expenses, including wages, salaries, rent and the like, and of any other expenses incurred by the Israel Mission in connection with the implementation of the present Agreement. In the event of any such amounts having remained unspent at the expiration of any of the periods referred to in Article 8, paragraphs (d) and (f), such amounts shall be used for the purchase of commodities during the period then commencing; they shall be apportioned among the Groups of commodities contained in the Schedule then coming into operation, and
in the proportions therein laid down.

(b) The Israel Mission will, in principle, cover with German insurance companies, risks concerning commodities under the present Agreement. Contracts of insurance shall be expressed and insurance premiums paid in Deutsche Mark. Claims arising under such contracts shall be satisfied in Deutsche Mark and the proceeds used for the purpose of providing replacements. Such replacements shall be subject in every respect to the provisions of the present Agreement.

(c) If the Government of Israel employ German shipping lines for the transport of commodities, the freight required shall be paid in Deutsche Mark and shall be charged against the amount set aside for services under the present Agreement. Sea-freight payable in any currency other than Deutsche Mark shall be paid by the Government of Israel out of funds other than funds obtained under the present Agreement.

(d) Where transport by way of a German sea-port involves expenditure or arrangements which, having regard to all the circumstances, are economically unreasonable, the Israel Mission shall be entitled to use sea-ports outside the Federal Republic of Germany; the question whether such expenditure or arrangements are economically unreasonable shall be determined by reference, principally, to the normal method of transport which would be used in cases of a similar nature.

The Government of Israel shall not be entitled to use funds obtained under the present Agreement for the purpose of defraying charges for transport operations or for other services beyond the German frontier.

Article 9

(a) The Israel Mission shall, upon the coming into force of the present Agreement, apply to the Bank Deutscher Länder, or to any central bank of issue which may take its place, for an Account in Deutsche Mark to be opened in its name. Without prejudice to the right of the Government of the Federal Republic of Germany to pay, upon their falling due, the annual instalments payable under the terms of Article 3, paragraph (b), into the Account of the Israel Mission, the Government of the Federal Republic of Germany shall, upon the request of the Israel Mission, pay into the said Account such annual instalments as have fallen due, in the amounts indicated in each case by the Israel Mission, in order to meet its financial requirements as they arise.

(b) Any balances, the transfer of which to the above Account has not been requested by the Israel Mission by the end of any one financial year shall be brought forward to the credit of the Israel Mission with the Government of the Federal Republic of Germany for the following financial year.

(c) The provisions relating to the implementation of the present Article are contained in the Annex thereto.

Article 10

(a) If, during the currency of the present agreement, the economic or the financial capacity of the Federal Republic of Germany shall be adversely affected in a fundamental and lasting manner, the Contracting Parties shall consult with a view to adjusting to the changed circumstances resulting therefrom the further discharge of the Federal Republic of Germany of the obligations under the present Agreement.

(b) Such adjustment shall not cause the total sum payable by the Federal Republic of Germany in pursuance of Article 1 of the present Agreement to be reduced, but shall
merely result in a temporary suspension or a temporary reduction of the annual instalments payable in pursuance of Article 3.

(c) If, in the event of the financial capacity of the Federal Republic of Germany being adversely affected in a fundamental and lasting manner, negotiations fail to lead to an agreement, and if thereupon application is made to the Arbitral Commission, the Government of the Federal Republic of Germany shall be entitled, pending an award of the Arbitral Commission, to reduce the amount of the annual instalment next due, provided that they give such notice as is appropriate in the circumstances, of their intention so to reduce such instalment.

Article 11
If, during the currency of the present Agreement, circumstances change in such a manner as to result in an essential reduction of the substance of the obligation undertaken by the Federal Republic of Germany under the present Agreement, the Contracting Parties shall consult with a view to adjusting to such changed circumstances the annual instalments still payable.

Article 12
(a) The Government of Israel will send to the Federal Republic of Germany as their sole and exclusive agent a Mission which shall be charged on their behalf with the implementation of the present Agreement. The name of the Mission shall be "Israel Mission," or such other name as may be agreed upon between the Contracting Parties.

(b) The Israel Mission shall be entitled to engage in all activities which may be required in the Federal Republic of Germany in connection with the expeditious and effective implementation of the present Agreement, and shall, in particular, be entitled:

(i) To place orders and to conclude and execute contracts for the delivery of commodities and the provision of services under the terms of the present Agreement and to incur expenditure therefor;

(ii) To consult with governmental or non-governmental bodies or organizations on any question relating to the implementation of the present Agreement;

(iii) To deal with all other matters incidental to the activities hereinbefore referred to.

(c) The Israel Mission shall be deemed to be a juristic person within the meaning of German Law. The Israel Mission shall not be required to be registered in the Handelsregister. The names of the persons authorized to represent the Israel Mission shall be published by the Israel Mission in the Bundesanzeiger from time to time and shall, in addition, be given notoriety by other means. In relation to third parties such persons shall be deemed to be entitled to represent the Israel Mission as long as the withdrawal of their authority has not been published in the Bundesanzeiger.

The Israel Mission shall be subject to the jurisdiction of the German courts in regard to legal relations arising out of and in connection with its commercial activities. The Israel Mission shall be exempt from the obligation to give security for the costs of legal proceedings. The account of the Israel Mission with the Bank Deutscher Länder, or with any central bank of issue which may take its place, and its accounts with banking institutions authorized to engage in foreign trade transactions shall be liable for all obligations arising out of or in connection with such activi-
ties, and in particular, to attachment and execution.

(d) The Head of the Israel Mission requires the consent of the Government of the Federal Republic of Germany for the admission to the performance of its activities. Such consent may be withdrawn by the Government of the Federal Republic of Germany. The names of all personnel of the Israel Mission, with special indication of its senior officials, shall be communicated by the Head of the Israel Mission to the Government of the Federal Republic of Germany.

(e) The Israel Mission shall be entitled to establish offices in the Federal Republic of Germany as may appear necessary for the effective performance of its activities, provided, however, that the places where such offices shall be located shall be agreed between the Israel Mission and the appropriate authorities of the Government of the Federal Republic of Germany.

(f) The Israel Mission, its personnel of Israel nationality and its premises shall be entitled to the following rights, privileges, immunities and courtesies:

(i) Such administrative assistance as is usually accorded to foreign missions in the Federal Republic of Germany and as is required for the effective performance of the activities of the Israel Mission and of its personnel of Israel nationality;

(ii) Exemption of the income of the Israel Mission derived from the performance of all or any of the activities referred to in paragraph (b) hereof, and of the property of the Israel Mission serving such activities from all taxes imposed in the Federal Republic of Germany on income, profit or capital (Steuern vom Einkommen und Ertrag und Vermögensteuern);

(iii) Exemption of real estate owned by the Israel Mission in the Federal Republic of Germany and used directly for the performance of the activities of the Israel Mission or for the accommodation of its members of Israel nationality from real estate tax;

(iv) Exemption of the salaries and emoluments of the Head of the Israel Mission and of its permanent officials of Israel nationality derived from the performance of their activities as members of the Israel Mission from all taxation imposed in the Federal Republic of Germany on income;

(v) Exemption of all articles destined for the official purposes of the Israel Mission and the personal use of the Head and of the senior officials of the said Mission of Israel nationality from customs duties, irrespective of whether such articles have been imported on first arrival of such officials in the Federal Republic of Germany or at any time thereafter during their term of office, provided, however, that no article the importation of which into the territory of the Federal Republic of Germany is prohibited under the laws or regulations in force at the time of importation shall be brought into that territory; exemption of all articles imported into the territory of the Federal Republic of Germany by virtue of this sub-paragraph from all economic restrictions on their importation into or their exportation from the said territory.

The granting of the privileges herein referred to may be made contingent upon an assurance in writing by the Head or by a senior official of the Israel Mission authorized by him for this purpose that the consignments concerned, which the said Head or official shall identify by quantity, kind, markings, numbers and contents, are destined solely for one of the purposes herein referred to;
(vi) Exemption of the Head and of the senior officials of the Israel Mission of Israel nationality from German civil and criminal jurisdiction in all that pertains to any acts carried out by them within the framework of their official functions, subject, however, to the provisions of paragraph (c) hereof; exemption of the said Head and of the said senior officials of the Israel Mission from arrest, except for such infringements of the laws of the Federal Republic of Germany as are therein defined as "Verbrechen";

(vii) Exemption of the office premises of the Israel Mission from any acts of the authorities of the Federal Republic of Germany, and in particular exemption of the archives from inspection, impounding or seizure, subject, however, to the right of the said authorities to serve process;

(viii) Exemption of the Head and of the members of the Israel Mission from any obligation to produce in court or elsewhere documents from the archives of the Israel Mission, or to testify to their contents, unless such documents relate to the commercial activities of the Israel Mission;

(ix) The right of the Israel Mission to use cipher and to receive and dispatch diplomatic couriers.

Article 13


(b) The Mixed Commission shall meet at the request of the representatives of either Party.

(c) The Mixed Commission shall have the following functions: —

(1) To deal with all questions arising between the Contracting Parties out of or in connection with the implementation of the present Agreement, to review the progress of such implementation, to examine any difficulties that may arise, and to take decisions in order to resolve such difficulties;

(ii) To lay down Schedules in accordance with the provisions of Article 6.

Article 14

(a) All disputes between the Contracting Parties arising out of the interpretation or application of the present Agreement not settled by negotiation shall be submitted, at the request of either Party, to an Arbitral Commission, constituted in accordance with the provisions here following:

(i) Each Contracting Party shall notify the other Party of the appointment of an arbitrator within a period of two months from the coming into force of the present Agreement;

(ii) The Contracting Parties shall, within a period of two months subsequent to the appointment of the two arbitrators, by agreement, appoint the umpire of the Arbitral Commission;

(iii) If, within the periods respectively referred to in sub-paragraphs (i) and (ii), either Contracting Party fails to appoint an arbitrator, or if the Contracting Parties fail to agree upon the appointment of an umpire, such arbitrator or umpire, as the case may be, shall be appointed, upon the request of one or other of the Contracting Parties, by the President of the International Court of Justice;

(iv) The umpire shall not be a national of either of the Contracting Parties, or ordinarily resident within their respective territories, or in the service of either of them.

(b) The members of the Arbitral Commission shall be appointed for a period of five years. The Arbitral
Commission shall be reconstituted in accordance with the provisions of paragraph (a) hereof, three months before the expiration of the said period of five years. The members of the Arbitral Commission are re-eligible.

(c) A member whose term of office has expired shall continue to discharge his duties until his successor is appointed. After such appointment he shall, unless the umpire directs otherwise, continue to discharge his duties respecting pending cases in which he has participated, until such cases have been finally decided.

(d) If an arbitrator, or the umpire, during his term of office, dies or retires, the vacancy shall be filled in accordance with the provisions of paragraph (a) hereof.

(e) The Arbitral Commission shall meet at a place to be designated by the umpire.

(f) The Arbitral Commission shall lay down its own rules of procedure; in particular, it shall have power to request the attendance of witnesses and experts and the submission of advisory expert opinions in writing. If the Contracting Parties agree, the Arbitral Commission may dispense with oral proceedings.

(g) The Contracting Parties shall cause their courts of law to execute letters of request for the examination of witnesses and the service of documents issued by the Arbitral Commission in connection with any case pending before it.

(h) The Arbitral Commission, and in case of urgency and subject to confirmation by the Arbitral Commission, the umpire, shall have power to issue orders for provisional measures to preserve the rights of either Party. Such orders, when issued by the umpire, shall lapse after one month, unless confirmed by the Arbitral Commission.

The Contracting Parties shall comply with such orders.

(i) Each Party shall bear its own costs, including the costs of the arbitrator appointed by it. All costs of the Arbitral Commission shall be apportioned equally between the Contracting Parties. The fees of the umpire for each case and the apportionment thereof between the Parties shall be fixed by the Arbitral Commission.

(k) The awards of the Arbitral Commission shall not be subject to appeal and shall be binding upon the Parties.

The Arbitral Commission may set a time limit for the execution of its awards.

(l) Unless the Contracting Parties agree upon another solution, any dispute which may arise between them as to the interpretation or execution of any award of the Arbitral Commission may, at the request of either Party, be submitted to the Arbitral Commission.

If, for any reason, the Arbitral Commission does not accept the submission within a period of one month, and if the Parties have not agreed upon another solution, the dispute shall be referred to an ad hoc Arbitral Commission constituted in accordance with the provisions of paragraph (a) hereof.

(m) The Arbitral Commission shall not be competent to deal with disputes between the Contracting Parties arising out of the legal relations referred to in Article 12, paragraph (c) until all local remedies have been exhausted.

Article 15

(a) The Arbitral Commission referred to in Article 14 of the present Agreement shall be competent to deal also with disputes arising out of the interpretation or application of Protocol No. 2 this day drawn up and
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signed between the Government of the Federal Republic of Germany and the Conference on Jewish Material Claims against Germany, in the cases here following and subject to the provisions hereinafter set out: —

(i) If the Government of the Federal Republic of Germany are of opinion that the said Conference has failed to comply with the terms of Article 2 of the said Protocol, they shall be entitled to invoke the Arbitral Commission within a period of one year from the date fixed for the making of the communication referred to in the said Article.

If the Arbitral Commission finds that the said Conference has used any sum for purposes other than those referred to in the said Protocol, or has without adequate reason failed to use such sum or has failed to make the communication provided for in Article 2 thereof, the Federal Republic of Germany shall be entitled to withhold an amount equal in value to the sum the use of which has been in dispute. Such amount may be withheld from the annual instalments next due, to the extent that such annual instalments are in excess of 250 million Deutsche Mark. In the event of an annual instalment not exceeding the amount of 250 million Deutsche Mark, the sum to be withheld may be deducted from the last annual instalments payable under the present Agreement;

(ii) Application may be made to the Arbitral Commission requesting it to find that subsequent to its award under the terms of sub-paragraph (i) hereof the said Conference has used for the purposes referred to in Article 2 of the said Protocol moneys derived from independent sources, or has subsequently spent an unused sum for such purposes, or has subsequently made the communication referred to in the said Protocol. In the event of the Arbitral Commission finding in favour of such application, the Government of the Federal Republic of Germany shall have lost its right to withhold or deduct such sum under the terms of the award previously made, and shall pay any sum that may have been withheld previously;

(iii) In the event of any doubt arising as to the continued existence of the Conference on Jewish Material Claims against Germany or as to its successor, the Government of the Federal Republic of Germany shall be entitled to request an award of the Arbitral Commission to resolve such doubt;

(iv) The Government of the Federal Republic of Germany shall be entitled, within three months after receipt of the notification referred to in Article 3 of the said Protocol, to request a finding of the Arbitral Commission as to whether the assignment or intended assignment of the rights and obligations of the said Conference to a successor may be regarded as fulfilling the purposes referred to in Article 2 of the said Protocol.

(b) The Conference on Jewish Material Claims against Germany shall be entitled to intervene in any proceeding instituted under the terms of this Article.

Article 16

(a) The following Annexes and Letters shall form an integral part of the present Agreement: —

(i) Schedule: Annex to Article 7; Annex to Article 9; (ii) Letter No. 1 a;

Letter from the Minister for Foreign Affairs, State of Israel, on the settlement of the Israel claim and the rights of Israel nationals under legislation in the Federal Republic of Germany on restitution, compensation or other redress for Na-
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Address to the Germany's Socialist wrongs;
Letter No. 1 b
Reply of the Chancellor and Minister for Foreign Affairs of the Federal Republic of Germany to Letter No. 1 a;
Letter No. 2 a
Letter from the Head of the German Delegation concerning Article 5;
Letter No. 2 b
Reply of the Joint Heads of the Israel Delegation to Letter No. 2 a;
Letter No. 3 a
Letter from the Chancellor and Minister for Foreign Affairs of the Federal Republic of Germany concerning Article 6;
Letter No. 3 b
Reply of the Minister for Foreign Affairs, State of Israel, to Letter No. 3 a;
Letter No. 4 a
Letter from the Minister for Foreign Affairs, State of Israel, concerning Article 6;
Letter No. 4 b
Reply of the Chancellor and Minister for Foreign Affairs of the Federal Republic of Germany to Letter No. 4 a;
Letter No. 5 a
Letter from the Joint Heads of the Israel Delegation concerning Article 7;
Letter No. 5 b
Reply of the Head of the German Delegation to Letter No. 5 a;
Letter No. 6 a
Letter from the Joint Heads of the Israel Delegation concerning Article 8;
Letter No. 6 b
Reply of the Head of the German Delegation to Letter No. 6 a;
Letter No. 7 a
Letter from the Head of the German Delegation concerning Article 8;
Letter No. 7 b
Reply of the Joint Heads of the Israel Delegation to Letter No. 7 a;
Letter No. 8 a
Letter from the Minister for Foreign Affairs, State of Israel, concerning Article 12;
Letter No. 8 b
Reply of the Chancellor and Minister for Foreign Affairs of the Federal Republic of Germany to Letter No. 8 a;
Letter No. 9 a
Letter from the Joint Heads of the Israel Delegation concerning Article 12;
Letter No. 9 b
Reply of the Head of the German Delegation to Letter No. 9 a.

(b) Copies of Protocol No. 1 and of Protocol No. 2 this day drawn up and signed between the Government of the Federal Republic of Germany and the Conference on Jewish Material Claims against Germany are appended for reference only.

Article 17

(a) The present Agreement shall be ratified with the least possible delay in accordance with the constitutional procedures of the Contracting Parties.

(b) The instruments of ratification shall be exchanged as soon as possible by accredited representatives of the Contracting Parties, at the Secretariat of the United Nations in New York.

A proces-verbal shall be drawn up by the Secretary-General of the United Nations, who is hereby requested to furnish each Contracting Party with certified copies thereof.

(c) The present Agreement shall come into force upon the exchange of the instruments of ratification.

IN FAITH WHEREOF the undersigned representatives duly authorized thereto have signed the present Agreement.
GERMANY'S MORAL DEBT

DONE at Luxemburg this tenth day of September, 1952, in two originals in the English language, one copy of which shall be furnished to each one of the Governments of the Contracting Parties.

For the Federal Republic of Germany signed:
ADENAUER
For the State of Israel signed:
M. SHARRET

PROTOCOL NO. 1

Drawn up by representatives of the Government of the Federal Republic of Germany and of the Conference on Jewish Material Claims against Germany.

Representatives of the Government of the Federal Republic of Germany and of the Conference on Jewish Material Claims against Germany have met in The Hague to discuss the extension of the legislation existing in the Federal Republic of Germany for the redress of National-Socialist wrongs and have agreed on a number of principles for the improvement of the existing legislation as well as on other measures.

The Government of the Federal Republic of Germany declare that they will take as soon as possible all steps within their constitutional competence to ensure the carrying out of the following programme:

I. Compensation

1. The Government of the Federal Republic of Germany is resolved to supplement and amend the existing compensation legislation by a Federal Supplementing and Co-ordinating Law (Bundeserganzungs- und -Rahmengesetz) so as to ensure that the legal position of the persecutees throughout the Federal territory be no less favourable than under the General Claims Law now in force in the US Zone. Insofar as legislation now in force in the Länder contains more favourable regulations these will be maintained.

The provisions contained herein-after shall apply throughout the whole territory of the Federal Republic.

2. Jurisdictional gaps resulting from the residence and date-line requirements of the compensation laws of the various Länder will be eliminated. A change of residence from one Land to another shall not deprive anyone of compensation.

3. Where residence and date-line requirements are applicable under compensation legislation, compensation payments for deprivation of liberty shall be granted to persons who emigrated before the date-line and had their last German domicile or residence within the Federal territory.

4. Persecutees who were subjected to compulsory labour and lived under conditions similar to incarceration shall be treated as if they had been deprived of liberty by reason of persecution.

5. A persecutee who, within the boundaries of the German Reich as of December 31, 1937, lived "underground" under conditions similar to incarceration or unworthy of human beings shall be treated as if he had been deprived of liberty by reason of persecution, in the meaning of that term under compensation legislation.

6. Where a persecutee died after May 8, 1945, his near heirs (children, spouse or parents) shall be entitled to assert his claim for compensation for deprivation of liberty, if this appears equitable by reason of the
connection between the persecutor's death and persecution or of the indigence of the claimant. This provision shall not apply if the deceased was at fault in failing to file his claim in time.

7. Where the computation of annuities payable to persecutees is or will be based on the amounts of pensions payable to comparable categories of officials will also be applied, as from the effective date of the future Federal Supplemerting and Co-ordinating Law, to the annuities payable to persecutees. If at that time the persecutee has received no such annuities, such changes shall be effective as of April 1, 1952.

8. The future Federal Supplememting and Co-ordinating Law in supplementing the present legislation will grant to members of the free professions, including self-employed persons in trade and industry, agriculture, and forestry, the choice between a capital payment and annuities as compensation for loss of opportunities to earn a livelihood (Einnahmeschaden). The capital payment shall be granted up to a ceiling of DM 25,000 in each case as compensation for the damage suffered before the former vocation was fully resumed. Instead of the capital payment the persecutee may elect an appropriate annuity corresponding to the former living standards. The annuity shall, however, not exceed DM 500 per month. The persecutee shall be entitled to such choice only if at the time the claim is made, he is unable or unequal to economically support himself on his former vocation. He then shall be liable for the monthly annuity annuities payable to persecutees will be calculated as from the two years prior to the date of eviction.

9. The Government of the Federal Republic of Germany will provide compensation to persons who suffered losses as officials or employees of Jewish communities or public institutions within the boundaries of the German Reich as of December 31, 1937.

Insofar as these persons have a claim against public authorities for compensation under existing or future compensation legislation, they will receive temporary relief pending the beginning of these compensation payments. If the persons involved do not have such claims, their maintenance will be secured by monthly payments based on their former salaries.

10. The future Federal Supplementing and Co-ordinating Law shall, in providing compensation for damage to economic prospects, include in an appropriate manner provisions for compensation for damage to vocational and professional training.

11. Persecutees who have a domicile or permanent residence abroad shall be compensated for deprivation of benefits accruing to victims of the First World War if they were deprived of such benefits by the National-Socialist regime of terror because of their political convictions, race, faith or ideology.

12. Persons who were persecuted because of their political convictions, race, faith or ideology and who settled in the Federal Republic or emigrated abroad from expulsion areas within the meaning of that term in the Equalization of Burdens Law shall receive compensation for deprivation of liberty and damage to health and limb in accordance with the provisions of the General Claims Law of the GZ Zone. This applies also if they settled in the Federal Republic or emigrated abroad before the general expulsion their names and if it may be assumed that the persec
secutee would have been subjected to the expulsion measures taken against German nationals and ethnic Germans in connection with the events of the Second World War. Survivors of such persecutees shall receive annuities if all other conditions prescribed in the General Claims Law of the US Zone for the grant of survivors' annuities are fulfilled.

Such persecutees shall receive compensation for special levies, including the Reich Flight Tax, which were imposed upon them as a result of acts of terror of the National-Socialist régime, either by law or arbitrarily. Such special levies shall be taken into account up to a ceiling of RM 150,000 in each individual case. The claim shall be converted at the rate of DM 6.5 for RM 100, in the same way as savings accounts of expellees from the East are being converted.

For damage to economic prospects compensation shall be paid insofar as such damage made it impossible for the persecutee to provide for old age maintenance, wholly or in part, out of his own resources. In such case the damage will be determined, taken into account also up to a ceiling of RM 150,000 in each individual case, and converted at the rate of DM 6.5 for RM 100.

If the claimant is aged or permanently incapable of earning a livelihood because of illness or physical disability the compensation paid to him for personal damages and for special levies, together with his own property and his other income, is insufficient to provide for his livelihood in that event instead of a capital payment for damage to his economic prospects a reversion annuity shall be paid.

Compensation in accordance with Paragraph 3 shall also be paid to persecutees who emigrated, settled in the Federal Republic during or after the time the general expulsions took place.

13. The residence and date-line requirements of the General Claims Law of the US Zone shall not be applied to persecutees who suffered damage under the National-Socialist régime of terror and who, as political refugees from the Soviet Zone of occupation, moved into the Federal Republic and legally established their permanent residence there (so-called "double persecutees").

14. Persons who were persecuted for their political convictions, race, faith or ideology during the National-Socialist régime of terror and who are at present stateless or political refugees and who were deprived of liberty by National-Socialist terror acts shall receive appropriate compensation for deprivation of liberty and damage to health and limb, in accordance with the basic principles of the General Claims Law of the US Zone and in line with the Anlehnung art. the compensation payments established therein, i.e., as a rule, not less than 9% of those rates. This does not apply, however, if the persecutee's needs are or were provided for by a State or an international organization as a permanent basis or by way of a capital payment because of the damage suffered from persecution. Persecutees who acquired a new nationality after the end of persecution shall be assimilated to stateless persons and political refugees.

Survivors of such persecutees shall receive corresponding annuities if all other conditions established in the General Claims Law of the US Zone for the grant of survivors' annuities are fulfilled.

To the compensation granted to the claimant, together with his own property and other annuities, a reduc-
scent to provide for his livelihood he shall, in recognition of the persecution, be granted a corresponding equalization payment out of the Hardship Fund referred to elsewhere which is to be established by the Government of the Federal Republic of Germany.

The provisions contained herein shall not be applicable insofar as a persecutee is covered by the provisions of 12 above.

15. The Government of the Federal Republic of Germany will endeavour to carry out the whole compensation programme as soon as possible but not later than within ten years. They will see to it that the necessary funds shall be made available, as from the financial year 1953-54. The funds to be made available for any specific financial year shall be fixed in accordance with the Federal Republic's capacity to pay.

16. The Federal Supplementing and Co-ordinating Law shall, in recognition of general social principles, provide that claims of persons entitled to compensation who are over 60 years of age, or who are needy, or whose earning ability has been considerably impaired because of illness or physical disability shall be accorded priority over all other claims, both in adjudication and payment. Full compensation for deprivation of liberty and for damage to life and limb shall in these cases be payable at once. Property damage and loss of opportunities to earn a livelihood insofar as they are compensated by capital payments shall be payable at once up to an amount of DM 5,000 in each case. Insofar as payments are granted to such beneficiaries by way of annuities full payment shall begin at once.

17. The Government of the Federal Republic of Germany will see to it that, taking into account the principles contained in 15 above, funds shall be provided in such amounts, during the first financial years, that not only the claims referred to in 16 above can be satisfied, but, in addition, claims of other beneficiaries can also be appropriately dealt with.

18. No distinction shall be made concerning the treatment of claimants of the territory of the Federal Republic, insofar as compensation is concerned.

19. Where evidence is required equitable consideration shall be given to the probative difficulties resulting from persecution. This shall apply particularly to the loss or destruction of files and documents, and to the death or disappearance of witnesses. The compensation authorities shall ex officio make the investigations necessary to establish the relevant facts and seek appropriate evidence. The special conditions affecting the persecutees shall be taken into due consideration in interpreting the terms "domicile" ("rechtmäßiger Wohnsitz") or "residence" ("gewöhnlicher Aufenthalt").

20. A principle corresponding to the legal presumption of death contained in the restitution laws of the US and British Zones shall be inserted in the Federal Supplementing and Co-ordinating Law. This presumption of death shall also be applied in the procedure before the Probate Courts dealing with the issuance of a certificate of inheritance (Erbschein), provided that the validity of the certificates of inheritance be restricted to the compensation procedure.

II. Restitution

1. The legislation now in force in the territory of the Federal Republic of Germany concerning restitution of identifiable property to victims of National-Socialist persecution shall remain in force without any restrio-
GERMANY'S MORAL DEBT

have paid a total of DM 1,500 million. Payments on the basis of amicable settlements shall be included in this sum. The time and method of payment of such judgments and awards shall be determined in accordance with the Federal Republic's capacity to pay. The Government of the Federal Republic of Germany will, however, endeavour to complete these payments within a period of ten years. In settling the liabilities of the German Reich the claimants in the French Zone shall not be treated less favourably than those in other parts of the Federal territory.

4. Monetary restitution claims against the German Reich up to an amount of DM 5,000 in each case, as well as claims of beneficiaries who are over 60 years of age, or are needy or whose earning ability has been considerably impaired because of illness or physical disability shall be accorded priority over all other monetary restitution claims against the German Reich, both in adjudication and payment.

5. The Government of the Federal Republic of Germany shall continue to grant exemption from taxation to charitable successor organizations and trust corporations appointed pursuant to restitution legislation.

6. In equalizing the burdens arising from the war ("Lastenausgleich") the position of persons entitled to restitution is given special consideration as concerns the tax on property. Reference is made to the particulars contained in the provisions of the Law on the Equalization of Burdens of August 14, 1952 (BGBl. I, S. 446).

7. It is the intention of the Government of the Federal Republic of Germany in implementing the principle of law contained in Article 359, paragraph 2 of the Law on the Equal-

2. The Federal Government will see to it that the Federal Republic of Germany accepts liability also for the confiscation of household effects in transit (U m z u g s g u t) which were seized by the German Reich in European ports outside of the Federal Republic, insofar as the household effects belonged to persecutees who emigrated from the territory of the Federal Republic.

3. The Government of the Federal Republic of Germany will see to it that payments shall be ensured to restitutees—private persons and successor organizations appointed pursuant to law—of all judgments or awards which have been or hereafter shall be given or made against the former German Reich under restitution legislation. The same shall apply to amicable settlements. Judgments or awards based on indebtedness in Reich Marks of the former Reich for a sum of money (Geldsummenansprüche) shall be converted into Deutsche Marks at the rate of ten Reich Marks for one Deutsche Mark. Judgments or awards for compensation for damage (Schadensersatz) shall be made in DM and assessed in accordance with the general principles of German Law applicable to the assessment of compensation for damage.

In accordance with Article 4, paragraph 3 of Chapter Three of the "Convention on the Settlement of Matters Arising out of the War and the Occupation," the obligation of the Federal Republic of Germany shall be considered to have been satisfied when the judgments and awards shall have been paid or when the Federal Republic of Germany shall
GERMANY’S MORAL DEBT

fraction of Burden* to bring about the following:

a) Compensation in accordance with the principles of the Equalization of Burdens Law shall be provided for damage to and losses of such material assets as are described in Section 2 thereof, if the persecutee suffered these losses as a result of confiscation as defined in the restitution legislation, and in the expulsion areas within the meaning of that term in the Equalization of Burdens Law. This applies, however, only if the losses occurred before the general expulsions took place and if it may be assumed that the persecutee would have been subjected to the expulsion measures taken against German nationals and ethnic Germans in connection with the events of the Second World War.

b) In implementing the principle of law referred to above, the provision of the Equalization of Burdens Law requiring that the persecutee had his permanent residence in the Federal Republic or in West Berlin on December 31, 1950, shall not apply.

c) The indemnification of persecutees from expulsion areas whose permanent residence is outside the boundaries of the former German Reich will be taken over only in part. This part shall be determined by taking into account the distribution of expellees between the Federal Republic and the Soviet Zone of occupation.

d) In cases where household effects in transit belonging to such persecutees were confiscated in European ports outside of the Federal Republic these confiscations shall be treated as confiscations within the meaning of paragraph a) above.

IN WITNESS WHEREOF the Chancellor and Minister for Foreign Affairs of the Federal Republic of Germany, of the one part, and the representative of the Conference on Jewish Material Claims against Germany, duly authorized thereto, of the other part, have signed this Protocol.

DONE at Luxembourg this tenth day of September 1952, in the English and German languages, each in two copies, the texts in both languages being equally authentic.

For the Government of the Federal Republic of Germany:

signed: Adenauer

For the Conference on Jewish Material Claims against Germany

signed: Nahum Goldmann

PROTOCOL NO. 2

Drawn up by Representatives of the Government of the Federal Republic of Germany and of the Conference on Jewish Material Claims against Germany consisting of the following organizations:

Agudath Israel World Organization
Alliance Israélite Universelle
American Jewish Committee
American Jewish Congress
American Jewish Joint Distribution Committee
American Zionist Council
Anglo-Jewish Association

B’Nai Brith
Board of Deputies of British Jews
British Section, World Jewish Congress
Canadian Jewish Congress
Central British Fund
Conseil Réprésentatif des Juifs de France
Council for the Protection of the
Rights and Interests of Jews from
Germany
Delegacion de Asociaciones Israelitas
Argentina (D. A. I. A.)
Executive Council of Australian
Jewry
Jewish Agency for Palestine
Jewish Labor Committee
Jewish War Veterans of the U. S. A.
South African Jewish Board of
Deputies
Synagogue Council of America
World Jewish Congress
Zentralrat der Juden in Deutschland

The Government of the Federal
Republic of Germany, of the one
part, and the Conference on Jewish
Material Claims against Germany, of
the other part,

WHEREAS
The National Socialist régime of
terror confiscated vast amounts of
property and other assets from Jews
in Germany and in territories form­
erly under German rule;

AND WHEREAS
Part of the material losses suffered
by the persecutees of National-Social­
ism is being made good by means of
international German legislation in
the fields of restitution and indem­
nification and whereas an extension
of this internal German legislation, in
particular in the field of indemnifi­
cation, is intended;

AND WHEREAS
Considerable values, such as those
spoliated in the occupied territories,
cannot be returned, and that indem­
nification for many economic losses
which have been suffered cannot be
made because, as a result of the pol­
icy of extermination pursued by Na­
tional-Socialism, claimants are no
longer in existence;

AND WHEREAS
A considerable number of Jewish
persecutees of National-Socialism are
needy as a result of their persecu­
tion;

AND HAVING REGARD
To the statement made by the
Federal Chancellor, Dr. Konrad
Adenauer, in the Bundestag on Sep­
tember 27, 1951, and unanimously
approved by that body;

AND HAVING REGARD
To the Agreement this day con­
cluded between the State of Israel
and the Federal Republic of Ger­
many;

AND HAVING REGARD
To the fact that duly authorized
representatives of the Government
of the Federal Republic of Germany
and of the Conference on Jewish Ma­
terial Claims against Germany have
met at The Hague:

Have therefore this day concluded
the following Agreement:

Article 1
In view of the considerations here­
before recited the Government of
the Federal Republic of Germany
hereby undertakes the obligation to­
wards the Conference on Jewish Ma­
terial Claims against Germany to
enter, in the Agreement with the
State of Israel, into a contractual
undertaking to pay the sum of 450
million Deutsche Mark to the State
of Israel for the benefit of the Con­
ference on Jewish Material Claims
against Germany,

Article 2
The Federal Republic of Germany
will discharge their obligation under­
taken for the benefit of the Confer­
ence on Jewish Material Claims
against Germany, in the Agreement
between the Federal Republic of
Germany and the State of Israel, by
payments made to the State of Israel,
in accordance with Article 3 para­
graph (c) of the said Agreement.

The amounts so paid and transmitted
by the State of Israel to the Confer­
Once on Jewish Material Claims against Germany will be used for the relief, rehabilitation and resettlement of Jewish victims of National Socialist persecution, according to the urgency of their needs as determined by the Conference on Jewish Material Claims against Germany. Such amounts will, in principle, be used for the benefit of victims who at the time of the conclusion of the present Agreement were living outside of Israel.

Once a year the Conference on Jewish Material Claims against Germany will inform the Government of the Federal Republic of Germany of the amounts transmitted by Israel, of the amounts expended as well as of the manner in which such expenditure has been incurred. If, for any adequate reasons, the Conference on Jewish Material Claims against Germany has not spent the moneys it has received, it shall inform the Government of the Federal Republic of Germany of the said reason or reasons.

The information herein referred to shall be supplied within one year from the end of the calendar year in which the relevant amount had to be transmitted to the Conference in pursuance of Article 3 paragraph (c) of the Agreement between the State of Israel and the Federal Republic of Germany.

The Conference on Jewish Material Claims against Germany undertakes to spend, not later than three months before the penultimate instalment payable to Israel falls due, all moneys referred to in Article 3 paragraph (c) of the Agreement between the State of Israel and the Federal Republic of Germany and which have been received seven months prior to the date on which the said penultimate instalment becomes due as aforesaid, and to inform the Government of the Federal Republic of Germany accordingly.

Article 3

The Conference on Jewish Material Claims against Germany shall be entitled, after prior notification to the Government of the Federal Republic of Germany, to assign its rights and obligations derived from the provisions of this Protocol and of the Agreement between the Federal Republic of Germany and the State of Israel to one or several Jewish organizations which are qualified to assume such rights and obligations.

Article 4

Disputes arising out of the interpretation and the application of Articles 2 and 3 of this Protocol shall be decided, in accordance with the provisions of Article 15 of the Agreement between the State of Israel and the Federal Republic of Germany, by the Arbitral Commission established by virtue of Article 14 of the said Agreement.

IN WITNESS WHEREOF the Chancellor and Minister for Foreign Affairs of the Federal Republic of Germany, of the one part, and the representative of the Conference on Jewish Material Claims against Germany, duly authorized thereto, of the other part, have signed this Protocol.

Done at Luxembourg this tenth day of September 1952, in the English and German languages, each in two copies the text in both languages being equally authentic.

For the Government of the Federal Republic of Germany

Adenauer

For the Conference on Jewish Material Claims against Germany

Nahum Goldmann
SUMMARY OF ANNEXES AND LETTERS ATTACHED
TO LUXEMBOURG AGREEMENT

Annex to Article 7: The establishment of a "Bundestelle" (office) by the German Government to examine and determine whether the orders placed by the Israel Mission "are in conformity with the provisions of the Agreement" and to approve . . . advance payments.

Letters 1A and 1B: The State of Israel "will advance no further claims against the Federal Republic of Germany arising out of or in connection with losses which have resulted from National Socialist persecution." Individual claims by Israel nationals are not, hereby, prejudiced.

Letters 2A and 2B: The Israel Mission "shall not be charged with payment of the "Umsatzsteuer" (similar to sales tax) . . . but "the Israel Mission will not be accorded the export traders' refund or the export refund which are reserved for German suppliers only."

Letters 3A and 3B: The industry of West Berlin shall be given special consideration in the selection of goods under terms of the Agreement, in respect to such products as machine tools, structural steel, motor vehicle manufacture, fine mechanical instruments, asbestos, textiles, wood-working and leather industries.

Letters 4A and 4B: Concerns the payment by Germany for oil deliveries to Israel from the United Kingdom, in pounds sterling equivalent to 150 million DM, up to March 31st, 1954. (This arrangement has been extended to March 31, 1955.)

Letters 5A and 5B deal with the establishment in Israel of a governmental body to handle "all matters connected with the purchase of commodities and services" and all other matters relating to the implementation of the Agreement.

Letters 6A and 6B deal with the transportation of German goods to Israel, stipulating that goods cannot be carried in ships flying the German flag. (This stipulation was subsequently abrogated. See Appendix VII.)

Letters 7A and 7B provide that unused portions of funds set aside for services to the Israel Mission in Germany may be employed for relief work among Jews residing in Western Germany, if so desired by the Conference on Jewish Material Claims.

Letters 8A and 8B deal with Israel's request that the Israel Mission be established in Germany prior to the Luxembourg Agreement taking effect.

Letter exchanges between the head of the German delegation, Professor Franz Boehm and Mr. Moses Leavitt, head of the Conference delegation concern the German Government's assurances that the West Berlin Senate will enact a law corresponding to any Federal law for the "extension of compensation legislation." (This commitment was implemented in October, 1953.) A second exchange of letters deals with the question of consultations regarding the measures set forth in Protocol L.
APPENDIX III

A: ANALYSIS OF 500,000 NAZI VICTIMS INTEGRATED IN ISRAEL

<table>
<thead>
<tr>
<th></th>
<th>1932-38</th>
<th>1939-45</th>
<th>1944-45</th>
<th>V/16/45</th>
<th>V/15/48</th>
<th>V/15/43</th>
<th>1950 VII/30/52</th>
<th>XII/31/52</th>
<th>Total</th>
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<td>German Jews</td>
<td>35,835</td>
<td>14,247</td>
<td>1,383</td>
<td>7,887</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>59,172</td>
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<tr>
<td>Austrian Jews</td>
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<td>2,190</td>
<td>411</td>
<td>2,433</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>9,260</td>
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<tr>
<td>Czechoslovak Jews</td>
<td>3,903</td>
<td>8,260</td>
<td>4,110</td>
<td>18,436</td>
<td>—</td>
<td>—</td>
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<td>34,709</td>
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<tr>
<td>Polish Jews</td>
<td>—</td>
<td>15,928</td>
<td>11,129</td>
<td>102,631</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<td>135,898</td>
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<tr>
<td>Rumanian Jews</td>
<td>—</td>
<td>9,635</td>
<td>16,165</td>
<td>77,453</td>
<td>—</td>
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<td>102,552</td>
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<td>Hungarian Jews</td>
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<td>4,713</td>
<td>13,028</td>
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<td>21,433</td>
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<td>Latvian Jews</td>
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<td>Lithuanian Jews</td>
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<td>647</td>
<td>1,474</td>
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<td>Yugoslav Jews</td>
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<td>858</td>
<td>147</td>
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<td>1,179</td>
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<tr>
<td>Greek Jews</td>
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<td>1,241</td>
<td>942</td>
<td>1,927</td>
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<td>4,220</td>
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<td>Dutch Jews</td>
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<td>302</td>
<td>269</td>
<td>773</td>
<td>—</td>
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<td>French Jews</td>
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<td>343</td>
<td>189</td>
<td>1,740</td>
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<td>Italian Jews</td>
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<td>1,197</td>
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<td>2,248</td>
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<td>Balkan Jews</td>
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<tr>
<td>Central &amp;</td>
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<tr>
<td>Western Europe</td>
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<td>Eastern Europe</td>
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<td>Various</td>
<td>—</td>
<td>60,296</td>
<td>47,799</td>
<td>271,894</td>
<td>63,016</td>
<td>29,294</td>
<td>29,294</td>
<td>29,294</td>
<td>506,301</td>
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</table>

GRAND TOTAL = 506,301

B: EXTRACT FROM THE SPEECH OF THE RAPPORTEUR, COUNT SPRETI, BEFORE THE BUNDESTAG ON MARCH 18, 1953

"There is the question whether the figure of 500,000 immigrants (to Israel) is correct, or whether this figure was taken out of thin air. I must ask you to give this matter your utmost consideration. You have to look back to events, the guilt for which we cannot deny. Some of these immigrants began systematically to leave Germany in 1933. You recall perhaps the big crates on which were marked the various countries where these persecutees tried to seek a haven. Some of us will recall seeing, quite often, in addition to 'London,' 'South America,' or 'North America,' the marking 'Tel Aviv.'

"There is a further question: did these 500,000 Jews all come from Germany? We must realize that as National Socialism pushed forward so did the wave of anti-Semitism. Consequently, these people were either arrested and exterminated, or forced by psychological pressure to emigrate. In Czechoslovakia, in Rumania, in Hungary, the most horrible events occurred. After 1943 the refugees who returned from the concentration camps or the ghettos to their former home countries faced the fact that, in view of the dissolution of their old communities, they were unable to remain. Moreover, those areas were infested with anti-Semitism. They emigrated to Israel. This group is the point of controversy, and we must recognize—as the German delegation did in its report submitted to the Committee on Foreign Affairs of the Bundestag—that we cannot evade this fact under any circumstances!" (Deutscher Bundestag, 254 Session, Bonn, March 18, 1953, p. 12275).
ADENAUER STATEMENT ON RESTITUTION

On September 27, 1951, the State Department released the following translation of Chancellor Konrad Adenauer's statement before the Bundestag in Bonn on the question of German restitution:

Recently the world has on various occasions occupied itself with the attitude adopted by the Federal Republic toward the Jews. Now and then doubts have been expressed as to whether the new state is guided by principles in respect of these important questions which take into consideration the terrible crimes of a past epoch and put the relationship between the Jews and the German people on a new and healthy basis.

The attitude of the Federal Republic toward its Jewish citizens has been unambiguously laid open by the basic law. Article 3 of the Basic Law provides that all persons are equal before the law, and that no one may be prejudiced or privileged because of his sex, his descent, his race, his language, his homeland and his origin, his faith or his religious and political opinions. Article 1 of the Basic Law further provides:

"The dignity of man is inviolable. To respect and protect it is the duty of all state authority. The German people therefore acknowledges inviolable and inalienable human rights as the basis of every human community of peace and of justice in the world."

These rules of law are directly applicable and impose an obligation on every German citizen—and especially on every state official—to reject any form of racial discrimination. In the same spirit the Federal Republic has also signed the convention for the protection of human rights drafted at the Council of Europe and has pledged itself to put into practice the legal conceptions contained therein.

These rules of law can, however, become effective only if the disposition that gave rise to them is adopted by the whole nation.

This is, therefore, the first problem of education. The Federal Government deems it an essential necessity that the churches and the educational administrations of the Laender (states) do all in their power within their area in order that the spirit of humane and religious tolerance not only should be formally recognized but also become a reality among the entire German people, and especially among the German youth, in respect of their psychological attitude and actions. This is an essential task incumbent upon the educational authorities, which, however, must be completed by the example set by the grown-ups.

In order that this educational work should not be interrupted, and in order that the internal peace of the Federal Republic be maintained, the Federal Republic has decided to oppose all those circles that are still engaged in Jew-baiting by prosecuting them unrelentingly. Recommendations for an amendment of the penal code have been submitted to the Bundestag by reason of which propaganda inciting racial hatred is, among others, also to be severely punished. The Federal Government intends to apply these provisions most
vigorously as soon as they come into force.

The Federal Government, and with it the vast majority of the German people, is conscious of the immeasurable suffering that was brought to bear upon the Jews in Germany and in the occupied territories during the period of National Socialism. The great majority of the German people abhorred the crimes committed against the Jews and had no part in them.

During the time of National Socialism there were many Germans who, risking their own lives for religious reasons, defying the commands of their conscience, and feeling ashamed that the good name of Germany should be trodden upon, were prepared to help their Jewish compatriots.

But unspeakable crimes were perpetrated in the name of the German people, which impose upon them the obligation to make moral and material amends, both as regards the individual damage that Jews have suffered and as regards Jewish property for which there are no longer individual claimants. In this respect first steps have already been taken, but much remains to be done.

The Federal Government will see to it that the restitution legislation is rapidly completed and that it is justly implemented. Part of the Jewish property it was possible to identify has been restituted. Further restitutions will follow.

With regard to the extent of the reparations—a huge problem in view of the immense destruction of Jewish valuables by National Socialism—the limits must be considered which are set to the Germany ability to pay by the bitter necessity of having to provide for the innumerable war victims and to care for the refugees and expellees.

The Federal Government is prepared, jointly with representatives of Jewry and the State of Israel, which has admitted so many homeless Jewish refugees, to bring about a solution of the material reparation problem in order to facilitate the way to a spiritual purging of unheard-of suffering.

It is fully convinced that the spirit of true humanity must once more become alive and bear fruit. The Federal Government considers it the foremost duty of the German people to foster this spirit with all their power. (New York Times, September 28, 1951).
ADENAUER'S LETTER TO DR. GOLDMANN

FEDERAL REPUBLIC GERMANY
THE CHANCELLOR

December 6th, 1951

Dr. Nahum Goldmann, Chairman
Conference on Jewish Claims
Against Germany
London, England

Dear Dr. Goldmann:

In connection with the statement made by the Federal Government in the Bundestag on September 27, 1951, in which it declared its readiness to start negotiations with representatives of the Jewish people and Israel with regard to Reparation for damage done under the Nazi Regime, I want to inform you that the Federal Government considers that the time has come when such negotiations should begin. I ask you, in your capacity as Chairman of the Conference on Jewish Claims against Germany to make this known both to the Conference and the Government of Israel.

I want to state that the Federal Government sees in the problem of reparation above all also a moral duty and regards it as an obligation of honor for the German people to do everything possible to repair the injustice done to the Jewish people. The Federal Government will welcome in this connection the possibility of contributing to the upbuilding of the State of Israel through the delivery of goods. The Federal Government is ready to accept the claims which the Government of the State of Israel has formulated in its note of March 12, 1951 as the basis for these negotiations.

Very Sincerely yours,

/\s/ (Adenauer)

EXCERPTS FROM DR. GOLDMANN'S LETTER TO ADENAUER

London, May 19, 1952

My Dear Chancellor,

On May 16th I wired you from Paris expressing my apprehension over the status of the negotiations between Israel and the Bundes Republic . . . I asked for a meeting with you so that we could draft a payment plan for submission to Israel. I very much regret not having received an answer yet to my wire.

A conference took place in Paris today between Messrs. Abs (for Germany) and Shinnar and Keren (for Israel). Mr. Abs stressed that he was not empowered to make any official suggestions. He spoke, however, of yearly deliveries in goods in amount of 100 million DM which, perhaps, he said, could be doubled in the event of financial help from the United States. In our opinion, this latter is entirely uncertain. Mr. Abs said nothing about the total amount of the debt
GERMANY'S MORAL DEBT

payable. He did not touch at all upon the concrete suggestions submitted in detail during the various stages of negotiations (at The Hague).

Naturally, Messrs. Shinnar and Keren rejected Mr. Abs' suggestions forthwith. Dr. Shinnar told Mr. Abs that these suggestions were disappointing as well as unexpected.

I had gained the impression, from our many conversations, that you and the Bundes Government seriously intended to secure genuine, albeit partial restitution for the material losses of the Jews. Mr. Abs' suggestions today, to the representatives of the Israel Government, contradict, in letter and spirit, the declaration of the Bundes Government of September 27th, 1951. They contradict, further, the contents of your letter to me of December 6th, 1951, in which you accepted Israel's claim for one billion dollars as the basis for negotiations.

Weighing Mr. Abs' suggestions in light of these previous statements, without which no negotiations would have materialized, I am convinced that Jewish public opinion will regard them as nothing less than an insult. Dr. Shinnar expressed this view to Mr. Abs.

The opinions expressed by Mr. Abs regarding a solution of the problem, lack, in fact, any expression of readiness to make some real sacrifices for the sake of restitution. Mr. Abs' contention that the Bundes Republic lacks the means to pay is hardly convincing in view of the steadily increasing productive capacity of the German economy, the growth of German trade which amounts now to several billion dollars and the recently concluded "equalization of burdens" settlement.

It is impossible to attempt to solve a problem of such moral significance as Jewish restitution by the methods commonly used in commercial negotiations or horse trading. In my various talks with you, Mr. Chancellor, I was most impressed by your conviction that Germany is obligated to make substantial material restitution. This fact prompted me to support the resumption of negotiations.

Despite our deep disappointment arising from Mr. Abs' suggestions, I still cling to the conviction that you, Mr. Chancellor, could not endorse such suggestions as your own. The contradiction between these suggestions and everything discussed between us, in our several conversations, is so great that I am at a loss to understand how they could in any way reflect your opinion. If the amount which Mr. Abs apparently regards as a "solution" should represent the official position of the Bundes Government, the Government of Israel would be unable to continue negotiations under any circumstances. This holds good for world Jewry as well.

The consequences would be manifold if Mr. Abs' suggestions were to become a serious possibility. Belief in the new German state's honest desire to make restitution would be shattered among those who regard you, Sir, as the spiritual leader and representative of the new Germany. In such event, a sharp reaction from world Jewry, and the major section of non-Jewish public opinion which has deep sympathy for the martyrdom of the Jews, would be unavoidable and fully justified.

In this crucial hour, I appeal to you, my dear Chancellor, as the German statesman who has declared himself the representative and spokesman for the principle of restitution, to lead the negotiations back to the same high level on which you originally visualized them. Do not permit these negotiations to be endangered and degraded by the interjection of methods which might be permissible only in commercial negotiations. The present air of uncertainty and the repeated postponement of a concrete offer, consonant with your letter, of De-
December 8th, 1951, must not be allowed to continue.

Israel and the Jewish people rightly demand to know their position on this question. I ask you, therefore, to exert all of your authority to the end that a concrete offer be submitted at the soonest possible moment so that we may be able to resume our official negotiations promptly.

In anticipation of your reply, on which so much depends, I remain, with best regards,

Sincerely yours,
/s/ Nahum Goldmann

APPENDIX VII

LETTERS REGARDING THE FLAG QUESTION

Luxembourg, 10th September, 1952

The Joint Heads
of the Israel Delegation

Gentlemen,

With reference to Article 8, paragraph (c) of the Agreement signed today, I have the honour to communicate to you herewith the views of the Government of the Federal Republic of Germany on the shipping of commodities to be delivered under the terms of the above Agreement:

1. Insofar as commodities will be carried in ships sailing under the Israel flag and owned by Israel shipping lines, sea-freight shall be borne by the Government of Israel in Israel currency.

2. The Government of the Federal Republic of Germany intend that commodities not shipped under the terms of paragraph 1 hereof shall be carried in shipping space to be made available by the Federal Republic of Germany; the ships to be used shall be ships sailing under the flag of a third country, and the payment of freight shall be effected in Deutsche Mark out of moneys set aside for the provision of services. The particulars of such shipping operations shall be arranged through agencies to be designated by the Contracting Parties and shall be adjusted to prevailing circumstances. Freight charges generally prevailing in the market shall be charged. If shipping space is made available out of a "Conference-Line," the general freight tariffs of such "Conference-Line" shall be charged, and any special conditions applicable thereto shall apply.

3. If the arrangements referred to in paragraphs 1 and 2 hereof prove inadequate for the shipping of commodities, the Government of Israel shall be entitled to make other shipping arrangements.

I shall be obliged if you will confirm receipt of this letter and the consent of your Government to its contents.

I avail of this opportunity to express the assurance of my highest consideration.

/s/ Böhm

Luxembourg, 10th September, 1952

The Head
of the German Delegation

Sir,

We have the honour to confirm receipt of your letter of today's date in the following terms:
With reference to Article 8, paragraph (c) of the Agreement signed today, I have the honour to communicate to you herewith the views of the Government of the Federal Republic of Germany on the shipping of commodities to be delivered under the terms of the above Agreement:

1. Insofar as commodities will be carried in ships sailing under the Israel flag and owned by Israel shipping lines, sea-freight shall be borne by the Government of Israel in Israel currency.

2. The Government of the Federal Republic of Germany intend that commodities not shipped under the terms of paragraph 1 hereof shall be carried in shipping space to be made available by the Federal Republic of Germany; the ships to be used shall be ships sailing under the flag of a third country, and the payment of freight shall be effected in Deutsche Mark out of moneys set aside for the provision of services. The particulars of such shipping operations shall be arranged through agencies to be designated by the Contracting Parties and shall be adjusted to prevailing circumstances. Freight charges generally prevailing in the market shall be charged. If shipping space is made available out of a "Conference-Line," the general freight tariffs of such "Conference-Line" shall be charged, and any special conditions applicable thereto shall apply.

3. If the arrangements referred to in paragraph 1 and 2 hereof prove inadequate for the shipping of commodities, the Government of Israel shall be entitled to make other shipping arrangements.

We are instructed to inform you of the consent of the Government of Israel to the contents of the above letter.

We avail ourselves of this opportunity to express the assurance of our highest consideration.

/s/ Shimon
Josephthal

APPENDIX VIII

A: AMERICAN PRESS REACTION TO LUXEMBOURG AGREEMENT

Christian Science Monitor (September 12, 1952):

No money payment can restore to a Jewish family a father or mother slain in the gas chambers of Auschwitz. No compensation to survivors can expunge from history the warning to human conscience in the Nazi record of tortures, thefts and mass murders committed under the spell of Hitlerian madness.

But a solid effort to do what can be done toward making brighter the lot of refugees from that persecution is a welcome note of contrition on the part of decent Germans through their postwar West German Government. And a disposition to put material aid at the disposal of the Jewish Republic of Israel in Palestine bespeaks a hope for eventual establishment of good relations between the governments at Tel Aviv and at Bonn.

The action of Chancellor Adenauer's government is well characterized by Moshe Sharett, the Israeli Foreign Minister, as an example of voluntary reparation, and as such it sets a significant international precedent. The $823 million worth of goods and services to be delivered to the Republic of Israel and to Jewish organizations over a period of 14 years will aid materially the rehabilitation of Jewish refugees and the establishment of a Jewish homeland, but it will by no means
end the need for financial support to Palestine through governmental and private channels from the United States.

The fact that German and Jewish leaders could come together in Luxemburg to arrange the transfer is a tribute to the patient work of Dr. Nahum Goldmann, chairman of the Conference of Jewish Material Claims against Germany, and to a sense of responsibility for humane action on the part of the German Federal Government.

New York Herald Tribune (September 12, 1952):

The signing by Germany and Israel of a restitution pact was carried out with frigid formality, but the action nevertheless contained the spark of hope that a better day will eventually dawn between the two nations. After six months of negotiations, the Bonn government has agreed to pay $822,000,000, over a twelve to fourteen year period, as an attempt at compensation for crimes against the Jews committed by Germany under the Hitler regime. Of this sum, $107,000,000 will be allocated to Jewish organizations outside Israel which have cared for victims of Nazi persecution. The rest, in the form of goods, will go to bulwark Israel's economy, which has been sorely taxed by the need of absorbing thousands of refugees driven from areas under Nazi domination.

Two things ought to be made clear in the signing of this historic pact. One, apparent from the silence and stiffness which pervaded the brief ceremony in Luxembourg, is that the completion of this agreement does not necessarily mean that bygones are bygones, any more than it raises the dead to life. It does mean, however, that Germany, by acknowledging her moral debt and by trying to pay it off as best she can through financial outlays, has taken an important stride toward regaining her pre-Hitler status as a respected and responsible nation. From the start of the negotiations, Chancellor Adenauer has striven earnestly and honestly to make amends for outrages for which neither he nor his regime were responsible.

The second Important point is that while the German reparations will be a great boom to Israel, they by no means will solve the total economic needs of this new and struggling nation. Israel still requires the help of its friends in foreign lands and the loans of other governments in order to perform its role as a democratic outpost in the Near East. One feels certain that this badly needed aid will continue to be forthcoming. And, equally important, one hopes deeply that the act signed at Luxembourg will be carried out in the fullest intention of its spirit, and that it will serve as the first long step toward an eventual reapproachment which only a few years ago seemed utterly impossible.

B: AMERICAN PRESS REACTION TO BONN'S RATIFICATION OF THE LUXEMBOURG AGREEMENT

New York Times (March 22, 1953):

Following ratification of the new European treaty system by its decisive lower house, the Bonn Parliament has now completed ratification of the restitution agreement providing for the payment to Israel of a total of about $822,000,000, of which more than $107,000,000 is to be transmitted to world Jewish organizations. In addition, the Bonn Government is making provision for another $1,000,000,000 for other victims of Nazi atrocities . . .

One can only repeat that no amount of money can possibly expiate the Nazi
GERMANY'S MORAL DEBT

crimes or bring back to life the millions Hitler killed. But in so far as the new German Government is able to do so, it is doing its best to provide some compensation so that those who survived the Nazi slaughter may reconstruct their lives. The action of the German Parliament is all the more courageous because it was taken in the face of a threat of boycott from the Arab states—a threat which produced some defections at Bonn from a formerly solid front, but could not alter the final result.

Credit for this result, which should contribute to Germany's moral rehabilitation and ease the lot of Israel, belongs primarily to two men—Chancellor Adenauer himself and Dr. Nahum Goldmann of New York, who negotiated with him on behalf of both Israel and the Conference on Jewish Material Claims against Germany. They had to withstand opposition from extremists both in Germany and in Israel, but the agreement they made has set a precedent which should contribute toward the solution of other problems in the Middle East.

New York Herald Tribune (March 20, 1953):

Passage by the Bundestag in Bonn of the Israel reparations treaty is a victory for Chancellor Adenauer and for all Germans who want to expiate the Nazis' crimes against the Jews. Under the agreement, Israel and various Jewish welfare organizations will receive $822,000,000. The payment is not offered in any let-bygones-be-bygones sense; rather it is an admission by the Germans of a moral debt to an injured people, a debt which can best be acknowledged right now by lending some sorely needed assistance to the State of Israel.

That the accord was not ratified without opposition in no way detracts from its significance as a step toward the spiritual rehabilitation of Germany. The Communists in the Bundestag opposed it; so did the neo-Nazis. But it was passed 239 to 35 with 86 abstentions, and it brought about at least a temporary unity of the two great middle parties in West Germany, the Christian Democrats and the Social Democrats. It was passed, too, despite the Germans' awareness that they were incurring the antagonism of the Arab states, which threatened economic reprisals if help was given to Israel. Certainly the action taken by Bonn stands in marked contrast with the attitude of Communist-controlled East Germany, which has steadily rejected all requests for a similar settlement.

Signing of the accord, and the carrying out of its provisions, will be of great importance in helping to establish the economic security of Israel. But perhaps it will be of even greater importance in the building of the new Germany, which takes a great stride along the path that is leading it back into the family of nations.

APPENDIX IX

STATISTICS CONCERNING THE EXECUTION OF THE GERMAN-ISRAEL AGREEMENT AS OF JANUARY 1, 1954

1. Under the Reparations Agreement between Western Germany and Israel the total amount to be paid over a period of 13\% years to March 31, 1966 (or earlier) is: $822 million

2. The amount payable in the period ending March 31, 1954, is: $95 million of which $35 million
are to be used in payment of sterling oil deliveries from the U.K. and $ 60 million for the purchase of commodities within the framework of the "list of goods agreed" forming part of the Agreement.

3. Of the total of $95 million for the period to March 31, 1954, disbursements and commitments to date cover:
   a) Sterling oil deliveries to date the balance of will cover Israel's oil payments to the U.K.
   b) Commodities so far purchased as shown below:
      ferrous and non-ferrous metals and essential raw materials such as: caoutchouc, chemicals for food processing and textile industries, hides and extracts for the leather industry, wheat, oil-seeds and fertilizers.
      This leaves a balance available for the period up to March 31, 1954 of:
      which will be used for purchases of Capital Investment goods as Stage 1 of Israel's present development scheme referred to hereunder. Stage 1 covers the next five or six years.

4. Israel's development scheme, Stage 1, (covering the next five to six years) is based on the expansion of electricity, water resources, transportation, etc.
   a) Electricity: Generating Power will be increased from 130,000 k.w. to 370,000 k.w.
   b) Irrigation: The present irrigated area will be trebled.
   c) Transportation: A floating dock, a large cargo ship, two modern fruit carriers, one mixed cargo ship and one passenger ship will be purchased.
   d) Telecommunications: The present network will be considerably enlarged.

5. Impact on Israel's Economy:
   a) On present trends about 30% of Israel's annual import requirements are being covered by Reparations deliveries by Western Germany, therefore
   b) Full scope for foreign trade relations on an increasing level with other countries exists to a volume of at least 70% of Israel's present annual imports.

6. General Outlook:
   The industrial equipment imported into Israel under the Reparations Agreement offers many opportunities for joint ventures by adding "know-how" and experience to the actual deliveries of capital goods. In this way an enlightened foothold can be re-created in the constantly growing Israel market.

7. Until Dec. 31, 1953 goods amounting to $12,306,400 had arrived in Israel. They consisted mainly of iron, steel, wood, wheat (purchased in Turkey), chemicals and fertilizers.
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