## To Pay or not to Pay

A Historical Overview of the Question of WWII Reparation

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### In general

- What does the word "Reparations" mean? Especially in the context of WWII.
- Who owes what / how much to whom... if anything?
- Who was / is responsible for settling these issues?
- Address the separation between the German/Greek historiography, and the Anglophone historiography on this issue.

### In general, con't

- ➤ To summarize the wartime conferences that planned for reparations.
- ► To examine the post-war events / conferences that dealt with the issue, and / or brought it to the forefront
- How Reparations was an issue for the BENELUX
- ➤ To highlight the progression of the Greek German dispute.

#### Most recent events

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- Sigmar Gabriel said it was "dumb" to link the war debt issue to the current debt talks.
- However, German president Joachim Gauck, said on May 1st 2015, said Germany should examine its historical responsibility to Greece.

### July 2015

- President of the Japanese construction company Mitsubishi Materials Corp apologized for using slave labor in its factories during WWII.
- It was the latest development in an ongoing claim made by former POW's against Japanese companies for their practices during the Second World War.
- (compensation, not reparations in this case)

### January 2016

MP's of the governing Law and Justice party in Poland said that Germany cannot criticize current Polish legislation relating to freedom of the press, because "the bill for WWII has not yet been fully paid."

## August - September 2016

Greek government preparing another estimate for lingering WWI and WWII reparations.

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- ► London Agreement on German External Debts (February 27th to August 8th 1953)
- ► Also....
  - ► "2 Plus 4 Treaty" 1990 (did not address reparations but has been used in the debate)

### Yalta

- ▶ (4-11 February 1945)
- Decision that Germany will pay reparations.

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- Decision on Inter-Allied Reparations Agency (IARA)

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- other Axis members reparations will be evaluated separately from Germany.
- Decision to form the Inter-Allied Reparations Agency (IARA)
- USSR presents first estimate for reparations of 320 billion pre-war USD (5.3 trillion today)

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- Decisions on:
  - What constitutes reparations
  - ► How much will each allied country get in terms of a percentage of a to-be determined reparations' pool.

Non-monetary

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- Divided between;
- fixed "A" and
- movable "B",
- industrial products.

## **Examples:**

Category A - Blast furnaces / factories

Category B - Ships / railcars

# Percentages at IARA conference

- The USSR was guaranteed 25 % of the yet-to-be determined reparations' pool,
  - ▶ With an extra right to extract 10% of industrial goods from the allied occupied zones of Germany in the future.
- with 75% being allocated to the rest.

## Decision on reparations

A change in Allied policy:

### Decision on reparations

► Those countries which had contributed the most to the war effort will be compensated more than those which had been most devastated.

Country	Category A	Category B
Albania	.05	.35
USA	28.00	11.80
Australia	.70	.95
Belgium	2.70	4.50
Canada	3.50	1.50
Denmark	.25	.35
Egypt	.05	.20
France	16.00	22.80
UK	28.00	27.80
Greece	2.70	4.35
India	2.00	2.90
Luxembourg	.15	.40
Norway	1.30	1.90
New Zealand	.40	.60
Netherlands	3.90	5.60
Czechoslovakia	3.00	4.30
South Africa	.70	.10
Yugoslavia	6.60	9.60
Total	100%	100%

#### Paris Peace Conference

▶ July to October 1946

#### Paris Peace Conference

- Other members of the Axis sign peace and reparation treaties with Allies
- Pool of reparations from Germany set at 23 billion prewar USD

## What did this mean for Greece?

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- ► Estimated damage to Greece, as accepted later at Paris Peace Conference:
  - 7 Billion pre-WWII USD -
    - ▶ Never used as a basis to calculate what Greece should be given in compensation.

#### **Amounts owed Greece**

- Estimated damage accepted later at Paris Peace Conference:
  - ▶ 7 Billion pre-WWII USD
- Percentage decided by INTER-ALLIED REPARATION AGENCY (IARA):
  - 4.35% of Reparations' Pool for category B
  - 2.7% of Reparations' Pool for category A

# Translated into pre-War US Dollars

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Greece's awarded share:

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- Greece's awarded share:
  - ► Category B: 1.02 billion USD

and/ or

► Category A: 500 million USD

#### From 1946 to 1947

 Greece receives between 25 and 80 million USD in the form of category A reparations (Fleischer, 2004)

## The end of Reparations

- May 1946, US General Lucius Clay, US army administrator of the US occupation zone, who is also the individual responsible for overseeing the distribution of Reparations, ordered all reparations deliveries from Germany to cease, which takes place incrementally up to 1947.
- ▶ Up to this point the Soviets had 'devastated' East Germany by removing vast amounts of industrial goods, and was drawing heavily from the Western Zones.

## The end of Reparations

Remember - Potsdam agreement - USSR had drawing rights in Western Occupation Zones, so in effect, US reconstruction of Germany, was paying for reconstruction of USSR, which was being viewed with increasing hostility.

## 1947 Moscow Council of Foreign Ministers

- One of the main issues to be addressed at the 1947 Moscow meeting, was how to resolve the imbalance in reparations being drawn from the Western zones by the USSR.
- British and American move to unify their zones, Soviets increase isolation of their zone.
- Foreshadows the physical division of Germany.

#### **BENELUX - Claims**

- Belgian Prime minister Paul Henri Spaak made an official request to the British to inquire about specific factories that had been marked to be dismantled in Germany and shipped to Belgium.
- ➤ The British informed the Belgians that the United States was 'not in favour of pursuing dismantlement.' The British chairman of the Council stated that the UK had attempted to carry out the reparations program, but that the US chairman of the European Economic Recovery Program, Mr. Humphrey, had compiled a list of German factories which had been labeled for dismantling, but would now remain intact

#### Benelux Claims

- French Foreign Minister Robert Schuman replied that France was extremely interested in the issue of reparations, both "in occupying Germany," and from 'the simple point of view of reparations.' He further stated that the French had not officially received the Humphrey report, and that communications with the Americans on the issues of reparations were 'fragmentary.'
- ► They had learned unofficially however that the report in question listed 600 factories to be disassembled, 107 of which were now to be exempted.

#### **BENELUX Claims**

One of the factories listed was the Hamborn Steel factory which had been listed for dismantling. Minister Schuman stated that should it no longer be dismantled the effect would be doubled by denying the Allies concerned of their expected reparations, while also increasing the potential of Germany to produce steel, something which at the time was politically sensitive in France

## **BENELUX Claims**

- The UK stressed the need of the 'Brussels powers' to hold a common position on the issue of reparations in the face of the Germans, so as not to present the appearance of 'divergence between the five (Brussels Treaty Members) and the Americans which, they said, the Germans could exploit.
- ▶ It was therefore concluded that the UK would adopt a common position on reparations with the remaining 'Brussels Powers,' and the French agreed to coordinate the BENELUX to make a common demarche on the issue in Washington

## **BENELUX Claims**

- The debate over these factories highlights an important development in the history of European Integration, since a consistent concern of France was regarding German Coal and steel production, and reconciling that with more general Western European economic recovery.
- ► The dilemma faced by Schuman, was how to reconcile the American desire rebuild the German economy, and the French desire to limit German economic recovery and to control their steel production.

## Future research

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▶ For now, we continue to the London Agreement.

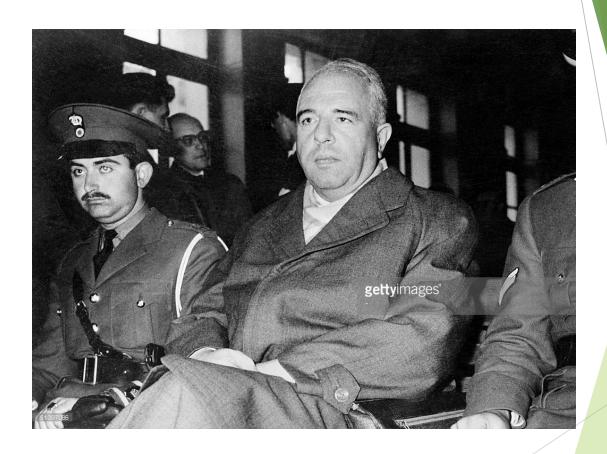
- Formally:
- ► The London Agreement on German external debt

- Terms:
  - West Germany will honor outstanding WWI debt
  - This debt will be cut by 50%, and is only payable when Germany runs a trade surplus of 3%

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- Which at the time was considered to be a long way off.

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- No Claims for reparations will be considered until German reunification.
- ► For almost 6 years, the issue of reparations remains settled until...



- Max Merten was the Wehrmacht administrator of Thessaloniki
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- In 1945, after fleeing Greece, he is arrested by the Americans and is about to be returned to Greece, when a Greek wartime colleague of Merten, General Ypsalantis, intervenes and tells the Americans that Merten actually did much to mitigate the suffering of the Greek people during the occupation.
- Merten is released, and spends the next 11 years amassing a small fortune in Germany.

- In 1958, a German wartime colleague of Merten's is on trial in Greece for war crimes, and calls Merten as a witness.
- Merten checks with the German emabassy in Athens to see if there are any outstanding warrants for his arrest.
- After being assured that there are none, Merten goes to Athens, and on his first day, sitting in the gallery in a Courthouse, he is recognized by the Greek chief prosecutor.

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- Leads to offer of reparations to Greece from East Germany
  - ▶ To secure international recognition and to embarrass the Federal Republic

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- Other developments afterwards....

## 26 January 1972

- Arbitral Tribunal for the Agreement on German External Debt, rules that the German government:
- 'is under an obligation to enter into negotiations (defined as both sides entering into a discussion with the objective of agreeing upon the terms of a settlement p. 459) ...in the course of which, the parties are obliged to make every reasonable effort, within a reasonable time, to reach an agreement with respect to the settlement of the claims in dispute. (P. 462).

## The Tribunal is referring to:

- 'The sinking of Greek merchant ships and the destruction of other property belonging to Greek nationals, by the German armed forces prior to the entry of Greece into WWI.' (P. 418.)
- The tribunal ruled also that because the destruction of property occurred in violation of Greece's neutrality, it was not considered with the rest of WWI reparations covered under article 19 of the London Agreement, and could only be settled by negotiations (as defined on page 453) between the two states.

#### Future research

- If / where these negotiations took place and their result, to shed light on the Greek government's possible forthcoming demand.
- ► The problem is that such tribunals are, by definition, temporary.

### 1974

WWI reparations court rules against West Germany and orders it to pay 54 million marks, which it does.

# Official West German government position from 1953 to 1990.

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- As re-unification nears, West German government sends out instructions to its embassies on how to deal with claims for WWII reparations. (Fleischer, 2004)

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- ▶ Between: West and East Germany and UK, France, USA and USSR.
- Recognizes / establishes the re-united Germany's borders, allows it to enter into international agreements, and establishes limits on the constitution and size of its armed forces.
  - ▶ It does not mention WWII reparations.

# Post-1990 reparations / compensation

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- ▶ 2001, the German government sets up the foundation "Remembering, Responsibility and Future" to provide financial compensation to former forced labourers. By 2003, 1,5 billion euro (\$ 1.48 billion) had been paid to 817,000 claimants.

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- ▶ 2010 Germany makes last payment to settle WWI debt.

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- ▶ 1997 1st Dystomo decision issued in Greece in April 2013
- Currently, the issue of the "Forced Loan."

### The forced loan

A zero percent loan extracted from the National Bank of Greece by the Wehrmacht in 1941, to pay the costs of the occupation.

### A copy of the wehrmacht loan document

Soldpfundpreises betragen. Berichtigt nan die Schlussaufstellung dementsprechend, kommt nan zu folgendem Ergebnis:

> Gesantsumme der der Deutschen Wehrmacht zur Verfügung gestellten Beträge Griechische Abschlagszahlungen auf Jesatzungskosten Deutsche Anlastungen Deutsche Rückzahlungen Deutsche Restschuld

786,5	H10.	221	
218,5		10	
568,0	Mio.	201	557.3
92,0			ter test
476,0	2104	BL.	

Diese Zahlen dürften den tatsächlichen Wert der griechischen Leistungen und der deutschen Erstattungen nahe konmen. Denzufolge würde sich die Restschuld, die das Reich gegenüber Griechenland hat, noch auf 476 Mio. RM belaufen.

Estimated 1944 value of 0 % interest loan from the National bank of Greece to Germany, made in 1942, after receiving re- payments.	Value in pre-war US \$ according to contemporary Greek and NAZI sources	Value Today , estimated by German and Greek sources in Euros, without interest	whether or not interest should also be Interest, running from 3 to 6% (standard in Germany in the post war years)
476 million Reichsmarks	228 million USD	7-11 billion Euros	95 billion Euros to about 260 billion Euros.

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- How did the IARA establish the format for Reparations?
- Did it or subsequent agreements give 3<sup>rd</sup> parties the right to suspend reparations to the smaller allies?
- Focus on the Forced Loan.

### Why focus on the forced loan?

- It is an issue that can be examined purely as an unpaid debt, which can be dealt with free of the emotional baggage associated with Reparations (Fleischer, 2004, 2008, 2012).
- Look at negotiations as defined by the Arbitral tribunal (p. 453)

### Why focus on the forced loan?

- It is an issue that can be examined purely as an unpaid debt, which can be dealt with free of the emotional baggage associated with Reparations (Fleischer, 2004, 2008, 2012).
- Look at negotiations as defined by the Arbitral tribunal (p. 453)
- This may seem a bit idealistic...

### Thank you

Questions / Comments.

- Contact:
  - spero.paravantis@uni.lu

### Payments to Greece

- ▶ \$25 million in goods shortly after the war; Greece says the proper sum should have been nearer \$14 billion.
- ▶ 115 million Deutschmarks (mentioned above, note 19) equivalent to about 25.5 million USD in 1960 - as part of a 1960 treaty with Greece meant to compensate victims of Nazi atrocities, including Greek Jews.
- ▶ 13.5 million euros (about \$15 million) paid to former slave laborers from a fund established in 2000 by German companies and the government.
- ► 1 million euros (\$1.1 million) paid annually for a "German-Greek future foundation" meant to fund remembrance and historical research projects.