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ON

# HOLOCAUST ERA ASSETS

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MEMORANDUM  
“FORCED LOAN”

**“Damage and Compensation”**

by

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## II. Damage and "compensation"

WW II and enemy occupation had wrecked the monetary and financial mechanisms of the country and disintegrated the administrative machinery. Even without it had caused a decrease (compared with normal development) estimated at about 100 percent in the population of Greece – taking into consideration, apart from "regular" war casualties, the deaths from starvation, the resistance struggle and reprisals, the brutal murder of 60,000 Greek Jews (83% of the pre-war Jewish population), and a dramatic fall in the birth rate. According to neutral estimations, at least every third Greek suffered from infectious diseases (particularly malaria, tuberculosis and typhus); in some regions the percentage of people ill exceeded 50%, especially among children. Housing conditions were desperate. 423 villages and small towns had been burnt and destroyed entirely, and more than 3,000 others had been destroyed partly – leaving every fifth Greek homeless. Livestock had been reduced by more than half, agricultural production had declined sharply, over 80% of the rolling stock had been demolished or removed, 73% of (mercantile) shipping was sunk. Most bridges, port installations, and railways had been blown to pieces,<sup>1</sup> and the same was true for the infrastructure of Greece.<sup>2</sup>

About 76% of the total losses of the country's national wealth was attributed to action by the German occupiers, an estimated loss of 10.45 billion (i.e. milliard) US dollars<sup>3</sup>. "Direct war damage" in Greece was estimated at \$ 7.18 billion on the basis of 1938 levels. The economic staff of the British, French and US embassies in Athens recognized these calculations as remarkably "reasonable".<sup>4</sup> At the Paris Conference on Reparations in late 1945, however, held to decide on the distribution of German reparations, the claims by the great powers mainly based on such categories as "contribution towards the total Allied war effort" and to the subsequent victory

<sup>1</sup> From 3 to 28 October 1944 only, the Wehrmacht blew up 52 major street bridges, 68 railway bridges, 1 railway station, while 73 of the remaining train engines and 505 carriages were hurled over cliffs, in order to save explosives (BA-MA, Freiburg: Army Group E, Gen. der Pioniere, 31.10.44 geh.)

<sup>2</sup> See, e.g., Conférence sur les Réparations: Dossier remis par la Grèce. Paris 1945.

<sup>3</sup> Greek memo 3881/19.10.45, e.g. in Archives Diplomatiques Paris [AD], Europe 1944-60, Greece, vol. 101

<sup>4</sup> "It might first of all be remarked that in the Embassies' opinion the Greek authorities have done a creditable job. [...] Broadly speaking, a genuine effort has evidently been made to keep the estimates of the damages and losses suffered within fairly reasonable limits." (Public Record Office [PRO], London: British Economic Adviser's Office, Athens, 1.12.1945; National Archives and Records Agency [NARA], US embassy Athens, 7.3.46).

expenditures, man-years spent in the armed forces, and war production”) carried more weight than claims by the minor occupied countries based on sufferings, death, destruction, and resistance. Greece, in particular, objected to this reasoning and, as a result, Greece’s small share of reparations, but eventually was persuaded to sign the Paris agreement. The assets, which Greece received through the “Inter-Allied Reparation Agency” during the subsequent years, amounted to 24 million dollars.<sup>5</sup>

### **The London Debts Agreement (LDA), 1953, and its aftermath.**

In the late 40s and early 50s the strategic importance of the Western German rump state increased as fast as the rising perception of the Communist threat. The USA, in particular, considered the newborn F.R.G. a bastion needing to be fortified materially and morally. One of the conditions for this was the “re-establishment of normal economic relations”<sup>6</sup> between West Germany and other countries, which required German readiness to meet its external debts within the framework of an international agreement. The scope of this agreement, however, was confined to post-war debts arising from the economic assistance furnished Germany by the three Western powers since May 1945 as well as to German pre-war debts, of which the lion’s share was owed the same powers. Reparation-like claims were excluded in order not to jeopardize the stability of the F.R.G. However, the agreement did more than just exclude. After much discussion on details of formulation, its famous article 5, paragraph 2 determined that “*considerations of claims arising out of the Second World War [...] shall be deferred until the final settlement of the problem of reparation.*” This was done despite it being pointed out by smaller states that “*the provision that these claims were to be deferred until the final settlement [...] meant that the Agreement did in fact deal with them although they were outside its scope.*”<sup>7</sup>

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<sup>5</sup> Later on, after bilateral agreements with Athens in 1960/61, the Federal Republic of Germany [F.R.G.] “voluntarily” paid 115 million German marks to “compensate” a very limited category of war wrongs, i.e. meager payments to “Greek citizens who were victims of National Socialist persecution measures for reasons of race, religion, or ideology” as well as 4.8 million marks for German seizure of tobacco stocks during the occupation.

<sup>6</sup> Agreement on German External Debts, App. A

<sup>7</sup> PRO: Explanatory talks, 29.1.53 (Netherlands’ representative)



In fact, Anglo-American (in particular American) insistence on this formulation sought to protect the new German ally in this aspect, and both powers were satisfied that "time works in favor of Germans."<sup>8</sup> Obviously, some kind of peace agreement with a reunited Germany was a necessary condition for any "final settlement" of the reparation issue – hardly before "the Greek Calends", since this was not expected to happen under the prevailing circumstances of global polarization.

In 1990, when, against every expectation, the two German states began the process of unification, their governments made considerable effort and finally succeeded in avoiding the very "peace treaty" which has been considered a prerequisite for reaching the long overdue "final settlement" of the reparation issue. This current interpretation referred in part to another convention which the three Western powers and the Federal Republic of Germany had agreed on before the LDA.<sup>9</sup>

However, the archives of the four major Western powers (including Germany) contain many records which leave no doubt that the LDA negotiators did not necessarily consider the settlement of war claims to require a peace *treaty* in its strict sense, but had a more general meaning in mind.<sup>10</sup>

Clearly, the "2 and 4 agreement" between the (then) two German states and the four principal allies of the anti-Hitler-coalition *de facto* was nothing less than the "settlement" or "similar arrangement" asked for four decades before.

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<sup>8</sup> NARA, State Department, 31.10.52. There is much similar evidence in German records.

<sup>9</sup> However, the *Convention on the Settlement of Matters Arising out of the War and the Occupation* (Bonn, 26.5.52) was far from outspoken in this issue. See: Chapter 6, Art. 1: "The problem of reparation shall be settled by the peace treaty between Germany and its former enemies or by earlier agreements concerning this matter". In addition, this convention was binding only for its four signatory states, not on the other states that signed the LDA.

<sup>10</sup> During the negotiations, the parties involved referred likewise either to "the event of German unity being attained" or to a general "peace settlement". Subsequently, after signing the LDA, the US delegation recapitulated in a summary to the State Department that "*reparations and analogous claims relating to World War I and II should more appropriately be dealt with in the context of a peace treaty or similar arrangement, which is not feasible at the present time in view of existing world political conditions.*" The leader of the German delegation, H.J. Abs, even went public with an almost identical statement. (Quotations from a forthcoming monograph by Hagen Fleischer, member of the Greek delegation.)

## The difference between German occupation costs and the forced loan

German occupying authorities used an extreme interpretation of their "war expenses", which they then inflicted upon occupied Greece. These "war expenses" far exceeded the "occupation costs" foreseen by international law, for they included "all expenses of the war waged within the occupied country or from this country".<sup>11</sup> This included German operations in the Eastern Mediterranean, North Africa, as well as the occupation of Southern Albania, which was subordinate to the German high command in Greece. Of the costs *within* Greece, 50% or more of the Greek payments were used for fortifications and similar "construction projects". In contrast to public German assertions that these projects were mainly for the purpose of "Greek reconstruction", the final German report<sup>12</sup> admitted that no more than 1.2% were "in common German and Greek interest". Even Hitler himself stressed the point that out of the Greek payments only "the smallest part was used for the costs of occupation" but the major part was used for construction projects which were "of decisive importance for the African War", i.e., in particular for the reinforcements and supplies for the German "Africa-Corps".<sup>13</sup>

In the "Confidential Protocol" of March 14, 1942 high-ranking officials of the German and Italian foreign ministries had committed themselves to paying the "credit" back to the Athens government in installments and began doing so in 1943. Internal German communications constantly used terms such as "credit" and "Reichsverschuldung" (debt of the Reich). This was particularly important when, in early April 1945, the economic experts of the former German embassy in Athens submitted their voluminous final report on "Economic Administration in German-occupied Greece" to the Foreign Ministry (and the president of the Reichsbank), with the explicit indication "for future use". In this report, they made serious efforts to calculate the German "debt

<sup>11</sup> See Political Archives Auswärtiges Amt [PA-AA], Bonn: E.g. conferences in the AA, 24.6.42, 28./29.9.42; Rintelen, 22.8.42 and, in retrospect, final report (Nestler), April 1945, p. 91.

<sup>12</sup> Ibidem, p. 103. Characteristically, the German ambassador Altenburg and the special emissary Neubacher often complained about the huge amounts spent for "entirely meaningless" projects, to the grave detriment for the Greek currency and economy.

<sup>13</sup> PA-AA, telegrams AA/St.S. 1065/4.9.42, 1140/20.9.42, and many others.

towards Greece" which they finally estimated as equivalent to 476 million German marks.<sup>14</sup>

Hence, Greek representatives were right when they stressed, at any given opportunity (e.g. the Paris Conference, the London Debts Agreement, post-1953 and post-1990 periods), that the forced loan extracted from Greece was not part of "regular" occupation costs and that the claim for repayment of that "loan" was different from claims for reparation. In addition, it should be stressed that all the revisions of the original German-Italian "Confidential Protocol" were agreed on with Greek participation (the Athens government recognized by the Axis powers).<sup>15</sup> Even if this contractual obligation on the German side would be considered of limited strength, because of the anomalies of that period, repayment of an enforced "loan" has at least equal validity with the restitution of arbitrarily removed property.

Even the German Foreign Ministry top secret memo on "German unity and the reparations issue", sent to all embassies abroad as a guide on how to counter any move to resume that very issue, admitted that, deriving from several German-Allied treaties, there still remained a German obligation for restitution of assets taken away during WW II.<sup>16</sup>

#### **Final remark**

With one exception, the Bonn government responded to all war claims placed and substantiated after German unification by countries, which had signed the London Debt Agreement. These responses were made either by some kind of material compensation – for obvious reasons usually disguised as "humanitarian relief" or binational "foundations" – or, at least, by entering negotiations on the subject. The one exception is Greece.

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<sup>14</sup> PA-AA, Nestler, pp. 106 ff.

<sup>15</sup> These agreements had provided for readjustment according to inflation and hence referred to calculations in stable currency.

<sup>16</sup> "Deutsche Einheit und Reparationsfrage", Ortez Nr. 34/29.5.1990, 012-9-312.74 VS-NfD, p. 10.