In September 1950, the foreign ministers of the Western occupying powers in West Germany – the United States, Great Britain, and France – convened in New York to assess the possibility of reinstating the country’s independence. In the course of their deliberations, there arose the question of Germany’s pre- and post-World War II financial debts, which by conservative estimates totaled about 35 billion marks (approximately $9 billion). The Western powers decided to make Bonn’s recognition of its debts a precondition for ending the occupation. The government of Chancellor Adenauer, after holding a number of meetings on the issue, decided to take responsibility for the repayment of these debts, despite their considerable size.

There were two main reasons for this: concern that the Western powers would refuse to reinstate Germany’s independence, and a desire to reestablish Germany’s credit in the financial world so that it could pursue its economic rehabilitation. In March 1951, in a memorandum to the Allied High Commission, Adenauer stated that his government acknowledged its pre- and post-war debts. Subsequently the Commission announced that it would be convening a conference on international debts in London on February 28, 1952, with the participation of West Germany, the United States, and European states.

While the London conference was being planned, another conference relating to Germany’s debts began to take shape. In March 1951, the government of Israel presented the occupying powers in Germany with a memorandum demanding payments totaling $1.5 billion from both East and West Germany as reparations for Israel’s absorption of half a million Holocaust survivors. Chancellor Adenauer became aware of the memorandum and decided to initiate negotiations with Israel to address its claim. Following talks between Bonn and Jerusalem, the parties decided to launch negotiations on reparations claims on March 20, 1952, in The Hague.

Thus, by remarkable coincidence, two conferences relating to Germany’s debts opened almost simultaneously. The Foreign Ministry in Tel Aviv viewed this development with concern. Ministry personnel wondered how West Germany would be able to repay its commercial debts to the United States and European countries while also paying its moral debts to Israel. Between the spring of 1951 and early 1952, intensive deliberations took place within the Israeli Foreign Ministry regarding the measures Israel should take to ensure that the London conference did not torpedo the reparations conference in The Hague.

This article aims to examine the positions, ideas, and proposals that emerged in the corridors of the Foreign Ministry in Tel Aviv surrounding the London conference, and to describe the measures that Israel eventually took to address the matter. The historical importance of the issue examined here is evident: Just a few short years after the conclusion of World War II and the end of the Holocaust, two international conferences were to take place, with Germany’s participation, and with the intention of reinstating its financial credit as well as its moral credit – two very divergent, and indeed conflicting, objectives. In the article, I will examine the matter from the Israeli perspective, drawing on dozens of Israeli archival documents. This is the first historical study ever to address this important and interesting issue, which is what makes it innovative. The article is based on a chapter from my book on the issue of reparations, published in Israel in late 2015 jointly by Tel Aviv University and Bar-Ilan University. An updated version of the Hebrew text is currently undergoing translation into English (with the generous support of the Claims Commission) in preparation for publication by an English university press.