

Chapter 1

Starting Out, June 1949–February 1950

The issue of material compensation from Germany was not on the agenda of the Israeli leadership in the state's first year of independence.¹ Up until March 1949, the fledgling state was embroiled in an existential war for its survival and its leaders were far too preoccupied to deal with other matters. At the end of the hostilities, national efforts focused on attempts to reach armistice agreements with Israel's Arab neighbors.² These agreements (signed in the months of February–July 1949) brought relative calm to the region and enabled the Israeli government to turn its attention to outstanding issues, including the issue of compensation from Germany.

This question was inextricably linked to the fundamental position that prevailed among the Jewish public in the young State of Israel³ regarding relations with Germany. This position demanded a complete and uncompromising boycott of Germany in all realms – political, economic, military, social, cultural, scientific and athletic – for generations to come.⁴ The boycott was the operative manifestation of the enormous anti-German sentiment harbored by the Jewish-Israeli public once the sheer scope of the catastrophe inflicted on European Jewry came to light. It was an expression of the rage, the loathing and the desire for vengeance against Germany that engulfed the Israelis. The boycott was perceived as a sacred commandment from the slaughtered millions and an essential vehicle for protecting the feelings of hundreds of thousands of survivors. In that sense, it served as an indispensable shield guarding Jewish national honor. There were those who feared that Nazi Germany was liable to reemerge, and the boycott was perceived

1 The State of Israel was established on May 14, 1948.

2 OHD, 1(81), Interview with Eliezer Shinnar, November 18, 1970.

3 And prior to that, among the Jewish community in Mandatory Palestine in the years 1945–1948.

4 The idea of imposing a boycott on Germany had already permeated the Jewish world from the beginning of 1933, after the new Nazi regime embarked on a brutal campaign to boycott, marginalize, and disenfranchise Germany's half a million Jews. Dawidowicz, *The War against the Jews*, 48–69. In response, a global anti-German Jewish boycott movement began. Gelber, *New Homeland*, 4–6; Weiss, "The Transfer Agreement"; Braatz, "German Commercial Interests." The boycott theme runs like a historical thread from the 1930s to the period following the Second World War. However, in light of the horrific extermination campaign the Third Reich carried out against the Jews between 1939–1945, its intensity was greater now than ever.

as Israel's contribution to preventing this menace.⁵ In essence, the Israeli-Jewish boycott of Germany rested on a moral foundation and was an act of conscience anchored in the personal and collective-historical memory of the Holocaust.

On the formal governmental plane, ostracism of Germany by Israel was not possible until the fall of 1949, since before this point there was no sovereign German polity. The boycott, therefore, initially targeted the German people. Prohibitions included, among other things, visits by German citizens to Israel, import of German goods (with an emphasis on books, periodicals and movies made in Germany or published in German language), and the use of the German language in cultural performances.⁶ Various elements in the media and political circles issued vociferous warnings every time they thought the boycott wall was cracking. Thus, for example, one of the biggest Israeli newspapers once raised an alarm about harmonicas from a German factory being sold in a shop in Tel Aviv,⁷ and on another occasion was outraged to report that German pencils were available for purchase in Israel.⁸ A different paper cried that a number of stores were selling Purim costumes made in Germany.⁹ The press was equally incensed when, as an exception, German citizens were allowed to enter the country, although this related to a handful of people, most of whom were recognized as being staunchly anti-Nazi.¹⁰ Beyond the media sphere, members of opposition factions in the Israeli parliament (the Knesset) habitually raised parliamentary questions on different matters that, in their opinion, were indicative of damage to the boycott policy.¹¹

In the absence of a sovereign German polity, the Israeli government allowed itself to establish a diplomatic mission on German soil without feeling it was breaching the boycott principle. At the beginning of June 1948, the head of the Jewish Agency's delegation in Germany, Chaim Yahil,¹² proposed to the Israeli Minister of Foreign Affairs, Moshe Sharett, that an Israeli consulate be established in Germany. Sharett agreed, and on October 10 a consulate in Munich (in the American occupation zone) was inaugurated, with Yahil serving as consul. This

5 Barzel, "The Yishuv's Call"; Gilead, "Public Opinion," 28–36; Alperovitch, "The Influence," 48–52; Segev, *The Seventh Million*, 190–193.

6 ISA, MFA 1809/4, Jewry and Germany: A Survey of Developments, 1949–1952, March 1952.

7 *Ma'ariv*, August 18, 1949.

8 *Ma'ariv*, April 28, 1950.

9 *Yedioth Ahronoth*, March 5, 1950.

10 *Ma'ariv*, September 18, 1949; *Herut*, September 7 and October 17, 1949.

11 Tovv, "Don't Buy Volkswagen!," 5.

12 This delegation began to operate in December 1945. The primary objective was to assist in the welfare of tens of thousands of Jewish DPs in the American occupation zone and organize their immigration to Israel. Yahil, "The Activities (I and II)."

Israeli mission, which was also recognized in the British and French zones, worked solely with the three Western occupying powers. Its two main roles were, on the one hand, to facilitate the immigration of tens of thousands of Jewish DPs concentrated in the western part of Germany (under control of the Western powers) to Israel, and on the other hand to render assistance to Jewish organizations from around the world and to Holocaust survivors living in Israel on various matters of compensation.¹³

On September 21, 1949, the political status of Germany changed significantly. The military government imposed by the Western powers at the end of the war was abolished, and the occupying powers' authority in the country was transferred to a civilian body – the High Commission for Occupied Germany (HICOG). The same day, the establishment of the Federal Republic of Germany (West Germany, or the FRG) was declared. The FRG's territory encompassed all three western occupation zones. Konrad Adenauer was chosen as West Germany's first chancellor. In a parallel move, on October 7 the USSR established the German Democratic Republic (East Germany, or the GDR) in the Russian occupation zone.¹⁴

The Israeli leadership had to address these dramatic developments, first and foremost as they pertained to the boycott. The most burning issue on the agenda was the Israeli consulate in Munich. It was clear to the Israelis that representation under the auspices of the Western occupying powers was not the same as a diplomatic mission endorsed by a German government. On November 1, the government discussed the new situation in Germany and decided that the Minister of Foreign Affairs would “inform the envoys of the State [of Israel] to have no contact with representatives of the [two] German Republics.”¹⁵ In the wake of this decision, the director of the West European Division of the IMFA, Gershon Avner, told the new consul in Munich, Eliahu Livneh,¹⁶ that the government had resolved to continue its policy of forbidding any contact with the Germans.¹⁷ A similar notification was sent to Mordechai Namir, Israel's minister to Moscow,¹⁸ who had requested instructions on how to conduct himself in regard to his East German counterpart who had just arrived in the Russian capital.¹⁹

¹³ Jelinek, “Like an Oasis in the Desert”; Chen, “‘Contact but no Established Relation’,” 19–22.

¹⁴ Balabkins, *West German Reparations*, 53.

¹⁵ ISA, Meeting of the Cabinet, November 1, 1949, 3–7.

¹⁶ Replaced Yahil on March 1949.

¹⁷ ISA, MFA 2519/4, Gershon Avner to Eliahu Livneh, November 1, 1949.

¹⁸ DEPI, Vol. 4, Document 399, M. Sharett to M. Namir, November 7, 1949.

¹⁹ DEPI, Vol. 4, Document 399, Note 1.

In mid-December 1949, in light of the developments in Germany, a consultation was held at the IMFA on the subject of the boycott. It was agreed not to close the consulate in Munich for the time being, but to instruct the Israeli envoys not to engage in any contact with German institutions and to conduct their business through the Western High Commissioners only. It was also decided that Israel would operate in the diplomatic arena to prevent the two Germanies from joining international organizations. Lastly, the attendees resolved that every Israeli passport would be marked with a stamp stating in English “This document is not valid for Germany.”²⁰ This decision was a response to increasing travel to West Germany by Israelis – most of them Holocaust survivors born in Germany, their representatives or profiteers, seeking restitution of property. In the same spirit, the Government Press Office announced that Israelis who traveled to Germany with the objective of settling there permanently²¹ would not be allowed to return.²² Such measures clearly attested how deeply the principle of boycotting Germany had become entrenched in the Israeli worldview. The only issue that seriously challenged this principle, leading to its gradual erosion and ultimately to its breaching, was the issue of compensation.

The initiative of raising this topic on the national agenda can be attributed to the Jewish Agency. It began with two comprehensive memorandums (dating from December 1948 and April 1949) written by Meinhold Nussbaum, a Jewish Agency official and its representative in the JRSO (where Nussbaum served as deputy-director of the organization). In his memorandums, Nussbaum sought to sound an alarm about one of the more, if not the most serious problem undermining the effectiveness of efforts to restitute Jewish property: the inability to take capital out of Germany. Whenever the JRSO located Jewish property without successors in the American occupation zone, it would open proceedings, in German courts or elsewhere, for the requisition of the property from the party holding it. If the claim was accepted, the organization would sell the property on the German market and would receive the proceeds in Deutsche Marks. The money received was, in principle, earmarked for the rehabilitation of hundreds of thousands of survivors of Nazi persecution who had settled outside of Germany. In practice, however, the JRSO found itself unable use of these funds outside of the German state as the Americans had imposed strict limitations on taking local currency out of the country. In all fairness, even if the restrictions had been eased,

²⁰ ISA, MFA 2539/1, A Memorandum from the Director-General of the Ministry of Foreign Affairs, December 15, 1949.

²¹ According to estimates, between 1945–1956 several thousand Israelis, almost all German-born, left Israel seeking to start new lives in Germany. Boord, “The Issue of Reparation,” 14.

²² ISA, MFA 2413/2, Government Press Office Release, December 28, 1949.

this would have done little to help the JRSO's predicament, since the Deutsche Mark was considered a weak currency on the international money markets. The alternative – exchanging DMs for American dollars and transferring these outside of Germany – was absolutely prohibited by the Americans. Any movement of a strong currency such as the USD out of the country was liable to undermine Washington's vigorous efforts to revive West Germany's shaky local economy. Individual survivors who had succeeded in getting their hands on their looted property and who sold it on the local market encountered the same problem.

It seemed that the only possible way to overcome this monetary roadblock was to adopt the *Haavara* (transfer) principle the Zionist movement had employed in the 1930s. In other words, money received by the JRSO and by survivors from the sale of Jewish property in Germany would be used to purchase German goods. The goods would be sold on markets outside of Germany and the proceeds from the liquidation of these assets could then be used by the JRSO and the survivors. As early as the summer of 1946, Nussbaum and other senior officials in the Jewish Agency had contacted the American occupation authorities regarding the possibility of a new transfer agreement, this time under the supervision of the Western powers. However, the Americans rejected the idea on economic grounds. The Agency consequently decided to wait for property restitution laws to be legislated in the western occupation zones, particularly in the American zone, and only then to broach the subject with the Americans again, in the hopes that the changed circumstances would help them acquiesce to such an agreement. Once the laws were indeed legislated Nussbaum sensed that it was the time to act.

But before appealing to the Western powers, it was essential, in his eyes, to ascertain whether the Israeli leadership was prepared to adopt the *Haavara* principle. The importance of its position on the matter stemmed from the fact that a sizable portion from the proceeds of the Jewish-German heirless property was supposed to go to Israel.²³ Given the huge sums involved, this meant that Israel would be flooded with German goods. Put otherwise, a *Haavara*-style agreement would establish direct, overt, ramified, and prolonged commercial ties between the Jewish state and the German people, ties that were, of course, completely out of line with Israel's boycott policy. Nevertheless, Nussbaum saw no alternative for the Israeli leadership other than to accept the idea of *Haavara*, as it would provide enormous financial assistance to the fledgling Jewish state. In his opinion, the government would have to take an active part in the *Haavara* initiative either

²³ As noted in the Introduction, various Zionist elements had demanded from 1943 onward that the lion's share of monies from restitution (and collective reparations) go to the Zionist enterprise.

via direct participation or even by managing a Jewish-Israeli institution that would handle all aspects of the transfer. The government of Israel, he stressed, could not simply stand back and allow the transport of German goods to Israel by the Jewish Agency and/or private survivors. He based this stance on the fact that the government exercised strict control over the state's economic activity, and therefore the authority to make decisions on various financial aspects concerning the Haavara enterprise was solely in its hands – for example, the scope and types of German goods that could enter the country. Another important issue in this respect related to the question of releasing foreign currency. The western occupation authorities demanded that payment for German goods designated for export would be conducted primarily in strong, convertible currencies, such as the USD. Consequently, the Jewish Agency, as part of its work within the JRSO, and Israeli Holocaust survivors with property in Germany, would be required to take foreign currency (USD) out of Israel to import German goods. The Israeli government, however, had imposed strict restrictions on the transfer of foreign currency out of the country, due to Israel's economic straits. Hence, this matter also required governmental intervention.²⁴

On May 22, 1949, Nussbaum presented his thoughts on compensation to the Jewish Agency Executive, and it decided to raise the issue with the government.²⁵ Contrary to Nussbaum's intention, however, the Executive had no intention of asking the government to take an active role in the Haavara initiative, let alone stand at the forefront of this enterprise. It surmised that the government would reject such a proposal outright due to the sensitivity of the boycott issue. The aim of the Jewish Agency leadership was to secure governmental approval and support for the establishment of a Haavara enterprise by granting import licenses for goods coming in from Germany and allocating foreign currency for this purpose, which would be exclusively at the Agency's disposal.

In coming days, the Agency's Executive formulated a memorandum to this effect and sent it to the Israeli Minister of Finance, Eliezer Kaplan, with the intention that he bring this issue up before the government. Kaplan indeed broached the subject in a June 7 cabinet meeting. "The Jewish Agency," he told his colleagues, "has approached us with the question of whether [the Jewish Agency] would be permitted to use funds [from restitution of property] to buy German goods and transfer them [to Israel]." According to Kaplan, the value of the claims submitted by the JRSO and individual survivors was already astronomical, some

²⁴ ISA, MFA 1782/3, Restitution and Compensation from Germany, December 15, 1948; CZA, S6/6762, Transfer of Jewish Capital from Germany, April 1, 1949.

²⁵ CZA, S100/56, Meeting of the Jewish Agency Executive, May 22, 1949, 14–19.

140 million USD. A portion of the sum, he clarified, was supposed to go to the State of Israel. The Minister of Justice, Pinhas Rosen, informed those present that the Jewish Agency also requested to know whether the government would permit the transfer of American dollars out of Israel to purchase the German goods. The ministers considered the issue and decided, in a nine-to-one vote, to respond favorably to the Jewish Agency's requests regarding the import of German goods to Israel and allocation of foreign currency, albeit with some conditions.²⁶

With this decision, the Israeli government gave the Jewish Agency a green light to go ahead with the Haavara enterprise, and thereby, in essence, opened a hatch in the wall of the total boycott of Germany.²⁷ One can surmise that the government nevertheless perceived this as a very small hatch; after all, the boycott was lifted only in one specific and isolated area – that of material compensation. All the other aspects of the boycott were preserved in full. The hatch was also small, because the government refrained from taking upon itself any significant role in the Haavara venture, settling for a secondary, passive function. The Jewish Agency, on the other hand, as the entity chosen to spearhead the Haavara venture, did not formally represent the State of Israel, and thus its deviation from the boycott policy did not herald the same for the whole country. The same was true of survivors who contacted German agents in the field of compensation; although they broke the boycott, their private infringement of the principle did not sully the State. However, it quickly became evident to the Israeli government that getting Jewish capital out of Germany would require substantial involvement on its part, including direct contact with the German authorities.

Meanwhile, another possibility for compensation had presented itself. In the course of the month of August 1949, the local German authorities in each of the four *Länder* that comprised the American occupation zone legislated a law that afforded indemnification to certain categories of Holocaust survivors.²⁸ This was done under vigorous American encouragement, not to say pressure.²⁹ According to the estimate of an Israeli expert on the subject, some 50,000 survivors living in Israel were entitled to claim personal compensation under the new law.³⁰ Their representatives met with the Minister of Finance, Kaplan, and requested that the government assist the tens of thousands of survivors in the claim process, as it entailed bureaucratic difficulties and no small financial expenses on the part of

²⁶ ISA, Meeting of the Cabinet, June 7, 1949, 32–40.

²⁷ Weitz, "Moshe Sharett," 164.

²⁸ Pross, *Paying for the Past*, 20.

²⁹ ILPA, 2-11-1951-33, A. Kossoi to M. Argov, Without Date.

³⁰ CZA, S43/242, Immigration Department to the Executive of the Jewish Agency, December 3, 1948.

the claimants. Kaplan raised the matter in a November 8, 1949 cabinet meeting, and the cabinet decided to authorize Kaplan to aid the survivors.³¹

Within days of this decision, the Ministry of Finance established MILTAM – a Hebrew acronym for the “Israeli Office for Registration of Compensation Claims from Germany,” and on December 1, 1949, the new entity commenced operation.³² Its role was to help survivors interested in claiming personal compensation from Germany in filling out the required documents and submitting them to the German authorities. Registration with MILTAM advanced at an impressive pace: within four months, close to 14,000 persons had requested assistance.³³

Parallel to this, on November 29, the government authorized the Minister of Justice, Rozen, to bring the “Verification of Documents Act” before the Knesset.³⁴ A week later, a discussion of the proposed legislation was held in the Knesset plenum. Rozen explained that, according to estimates, any Holocaust survivor seeking to claim personal compensation from Germany would need, on average, three notarized affidavits. In light of the number of potential claims, this would amount to tens of thousands of affidavits. To make matters worse, the deadline by which compensation claims had to be submitted to the German authorities was March 31, 1950, leaving a mere four-month window to accomplish the mammoth task. In light of this shortage of time, coupled with Israel’s shortage of notaries, there was a need to appoint “a number of verification clerks, who would be authorized to execute the notary functions required to carry out the enterprise.” Once Rozen finished speaking, lengthy deliberations followed – not only over aspects of the bill itself, but also (perhaps mostly) the compensation issue as a whole. This was the first time the Israeli parliament debated this issue at length. Several members of the Knesset favored attempting to obtain the material compensation funds. At the same time, the house was united in resolving that the boycott policy against Germany had to be maintained in full.³⁵ A couple days later, the “Verification of Documents Act” was passed in the Knesset.

These two decisions in November testified that the government remained devoted to the principle that had crystallized *de facto* at the beginning of June: that it was its duty to assist entities operating in the realm of material compensation – i.e., the Jewish Agency and the survivors – while at the same time refraining from initiating any moves involving German parties, whether governmental, juridical,

31 ISA, Meeting of the Cabinet, November 8, 1949, 2–3.

32 ISA, MFA 2543/1, A.Y. David to E. Livneh, November 30, 1949.

33 CZA, J118/225, First Report on MILTAM’s Operation, February 21, 1950; ISA, 5725/8 G, Second Report on MILTAM’s Operation, April 13, 1950.

34 ISA, Meeting of the Cabinet, November 29, 1949, 47.

35 KM, Vol. 3, December 5, 1949, 228–237.

economic, public, or private, particularly in the Haavara realm. As far as the government was concerned, the assistance it was rendering was fitting and respectable. Within the span of several months it had adopted three decisions concerning compensation. In addition, at the beginning of July 1949, the IMFA instructed the Israel consul in Munich, Livneh, to assist the Jewish Agency's people in their work regarding the restitution of property.³⁶

While the government's involvement in the compensation matter was by all means in line with the boycott restrictions, among certain elements in the IMFA it engendered apprehensions that Jerusalem would unwittingly get carried away into outright contact with the Germans. In a letter written in late December 1949 to the cabinet secretary, the director-general of the IMFA, Walter Eytan, expressed anxiety to the effect that "it feels as if there has been a voltage drop when it comes to the practical position Israel is honor-bound to take vis-à-vis Germany."³⁷

Other officials in the IMFA thought exactly the opposite, namely, that rather than merely providing assistance, it was right and proper that the government should begin to initiate and lead moves, even ones that involved approaching the Germans. Michael Amir, Israel's minister to the Benelux countries, proposed that Israel submit a formal claim for compensation from Germany. Yaacov Robinson, legal-advisor to the Israeli Delegation at the UN,³⁸ replied in the negative.³⁹ Still, Amir did not give up and wrote to the legal-advisor of the IMFA, Shabtai Rosenne, that he felt it would be "a great sin, a great neglect and a great mistake not to claim [compensation]."⁴⁰ Livneh, the consul in Munich, also began to ponder the possibility of deeper governmental involvement in the issue. In his view, if Israel wanted to receive a portion of the enormous Jewish capital that could be claimed from Germany, "we'll have to deviate a bit from our principled position [the boycott policy], [since] this matter will go a lot easier via actual ties with the German [government] machinery [sic. Establishment]."⁴¹

While Israel and the Jewish organizations were dealing with the issues of restitution and indemnification, Chancellor Adenauer dropped a political bombshell when he raised the question of reparations on the agenda. This took place in an

³⁶ ISA, MFA 1783/6, The Israel Consulate in Munich to the Ministry of Foreign Affairs in Tel Aviv, July 3, 1949.

³⁷ DEPI, Vol. 4, Document 455, Note 6.

³⁸ Yaakov was the brother of Nehemiah Robinson, an official in the Institute of Jewish Affairs and an expert on the issue of compensation from Germany. See Introduction.

³⁹ ISA, MFA 2417/4, S. Rosenne to M. Amir, June 20, 1949.

⁴⁰ ISA, MFA 2417/4, M. Amir to S. Rosenne, July 11, 1949.

⁴¹ ISA, MFA 1783/6, The Israel Consulate in Munich to the Economic Division, October 23, 1949.

interview Adenauer gave on November 11, 1949, to Karl Marx, editor-in-chief of the Jewish community gazette in the FRG. The Chancellor declared that the German people had a moral obligation to repair the injustice perpetrated against the Jewish people during the Nazi regime. He expressed his sorrow that so little had been done in this area since the close of the war, but clarified that his government was determined to take appropriate measures to rectify the situation. Accordingly, Adenauer declared that Bonn intended to put German goods valued at ten million DM at the disposal of the State of Israel, as representative of the Jewish people as a whole. This grant, the German leader clarified, is an initial expression of the German people's obligation to compensate the Jewish people.⁴²

The proposal was revolutionary since, according to international law, West Germany was not obliged to compensate the State of Israel for the Holocaust of the European Jews. Adenauer was clearly willing to set a precedent on the compensation issue, but if he hoped to receive a favorable reaction, he could not have been more misled. Policy-makers in Israel made no official response to the offer; however, in closed conversations they rejected it outright because they felt the proposed amount was ridiculously low. In a meeting held in Prime Minister David Ben-Gurion's home, one of those present raised the idea of initiating a discussion in the Knesset on the subject, where Ben-Gurion would present the government's position, rejecting the German overture as worthless considering the sheer magnitude of the calamity inflicted upon European Jewry.⁴³ A month later, in December, the World Jewish Congress published an indirect response to the Chancellor's declaration (most probably with encouragement or a nod of consent from the Israeli government) in which it demanded, among other things, that the FRG commit to paying "fitting" reparations.⁴⁴ The response of Alexander Easterman, the political secretary of the World Jewish Congress in the UK, was far more pointed: "Dr. Adenauer's offer of ten million marks, or about two marks per murdered Jew, was regarded by the Jewish people as an insult."⁴⁵

Incidentally, about the same time as Adenauer's public declaration, Finance Minister Kaplan was appointing a special committee to examine various aspects of the Haavara initiative. Peretz Naftali, a member of the Knesset and economic advisor to Prime Minister Ben-Gurion, was chosen to head the committee. Sitting on the Naftali committee were representatives from the Ministries of Foreign Affairs, Commerce and Industry, and Finance, as well as representatives of the Jewish Agency and the Jewish National Fund. On November 27, the committee addressed

⁴² Gilead, "The Reparations Agreement," 84–85.

⁴³ Auerbach, "Foreign Policy," 275.

⁴⁴ Pross, *Paying for the Past*, 22.

⁴⁵ Henry, *Confronting the Perpetrators*, 5.

Adenauer's declaration and reached a conclusion diametrically opposed to the prevailing opinion in government circles: "The committee thinks it may be desirable to publish an announcement in the press [stating] that the government of Israel is prepared to receive goods from Germany in payment of the indemnities to which [Jewish Israeli] inhabitants of the state are entitled according to the laws issued in the American occupation zone to date."⁴⁶ In the weeks that followed, the committee continued to deal with the Chancellor's declaration concurrent to examining the Haavara issue.

On January 6, 1950, the Naftali committee held a summary session that addressed the two issues.⁴⁷ At the end of the discussion, a number of decisions were adopted, designed for perusal by the government. On the subject of Adenauer's offer to grant Israel German goods, the committee declared (in the spirit of its November decision) that it was a "serious" proposal that merited further investigation. As for the Haavara initiative, the committee asserted emphatically that it would be impossible to implement it "without official talks between representatives of the State of Israel and representatives of the [West] German state." There were two reasons for this. Practically speaking, only the government had the clout to overcome the legal, economic and political challenges standing in the way of realizing this colossal initiative. And as a matter of dignity, or as the committee put it, "from the perspective of Jewish honor and the honor of the State of Israel," it was preferable to have "direct contact [between Israel and the FRG] rather than all sorts of alternatives in the form of unofficial talks between government officials or various intermediaries."⁴⁸ A memorandum much in this same vein (*vis-à-vis* Israeli-German relations) was submitted to the country's decision-makers by the committee at the close of January.⁴⁹ This was the first time that a formal entity within the Israeli establishment had recommended, in a clear and unambiguous manner, that direct and official contact be established between Jerusalem and Bonn on the compensation issue in a blunt violation of the boycott policy.

A similar call was issued at the time by the Jewish Agency. At a January 8, 1950 meeting of the Jewish Agency Executive, devoted to the issue of compensation, Georg Landauer presented an exhaustive overview of this issue. He estimated the value of Jewish property that could be claimed in West Germany at

⁴⁶ ISA, MFA 2543/1, A. Y. David to G. Avner, November 30, 1949.

⁴⁷ ISA, MFA 2417/1, On the Meeting of the Committee on Haavara Matters from Germany that took place on January 6, 1950.

⁴⁸ ISA, MFA 2417/1, Decisions of the Committee on Haavara Matters from Germany in its Meeting on January 6, 1950.

⁴⁹ ISA, MFA 2543/1, P. Naftali to M. Sharett, January 27, 1950.

three billion DM (approximately 715 million USD) and surmised that a third of this sum could go to Israel. Nevertheless, there were three major problems that threatened to disrupt operations. The Jewish Agency had no permission from Bonn or the High Commissioners of the Western powers to be engaged in the compensation business as an independent entity. It was required to operate solely through the auspices of the JRSO. But its ability to focus on the Israeli interests in this context was limited, since JRSO was committed to taking care of all Jewish survivors worldwide. Another problem was the gradual transfer of governmental authority from the Western powers to the Bonn government. This handover proceeded unhindered, albeit at a slow pace, and it was safe to assume that the day when the Western powers would turn the judicial authority in the country over to Bonn was fast approaching. The danger was that this would take place before legislation on compensation could be completed. Landauer feared that the Germans might drag their feet on the compensation question once judicial responsibility for this issue was in their hands. The last problem was tied to the Haavara initiative. There had been no progress on this matter whatsoever, according to Landauer. The failure to implement it, he emphasized, was significantly impeding action in the compensation domain. These three problems, especially the last two, could only be handled effectively by a government, rather than a private or public entity regardless of how big or important the latter might be. Thus, Landauer concluded that the Jewish Agency and the government of Israel must cooperate very closely in order to push the compensation issue forward. In other words, it was imperative that Jerusalem undertake a much deeper involvement in the issue, even if this meant direct and official contact with the Germans. After this presentation, discussion ensued, and it became evident that the majority of the Jewish Agency's leadership supported Landauer's position.⁵⁰ Deliberations continued on January 18⁵¹ and came to a close on January 30.⁵² At these meetings as well, the various speakers expressed support for Landauer's viewpoint. The resolutions passed by the Jewish Agency Executive reflected this clearly: the Israeli government was called upon to cooperate with the Jewish Agency in all affairs concerning restitution and indemnification. This cooperation, it was clarified, would deal in essence with hammering out a possible line of action that would allow for Israeli/Jewish-German negotiations on the question of compensation.⁵³

⁵⁰ CZA, S100/61, Meeting of the Jewish Agency Executive, January 8, 1950, 1–24.

⁵¹ CZA, S100/62, Meeting of the Jewish Agency Executive, January 18, 1950, 1–45.

⁵² CZA, S100/64, Meeting of the Jewish Agency Executive, January 30, 1950, 5–6 (Morning Meeting), 14–25 (Afternoon Meeting).

⁵³ ISA, MFA 1783/15, Decisions of the Jewish Agency Executive Regarding Jewish Property in Germany, January 12–30, 1950.

Thus, less than eight months after it had petitioned the Israeli government in May 1949 to permit it to manage the Haavara initiative single-handedly, the Jewish Agency came to the conclusion that close cooperation with the government on the compensation issue was essential. Further evidence that the Agency realized it could not go it alone can be found in a letter sent by Finance Minister Kaplan at the beginning of March 1950 to a member of the Jewish Agency Executive: “Based on all the information I have received of late from Germany, among other by the Jewish Agency, without official intervention of the government [in Germany], it is doubtful whether the compensation issue will move forward.”⁵⁴

This view was also widespread among the senior ministers. Prime Minister David Ben-Gurion was the first to embrace it. As early as November 1, he stated in a cabinet meeting that Israel would need to engage with Bonn in order to settle the matter of compensation.⁵⁵ Minister of Finance Kaplan followed suit,⁵⁶ and the Minister of Foreign Affairs, Moshe Sharett, hastened to join him.⁵⁷ It seems that the support of such influential parties for Israel to initiate a diplomatic move vis-à-vis the Germans on the issue of compensation – senior ministers, the Jewish Agency Executive, the Naftali committee – as well as Chancellor Adenauer’s dramatic proposal, convinced the other members of the government to endorse such a move.

The decision on this matter was made in a cabinet meeting that took place on February 15, 1950. Finance Minister Kaplan reminded his colleagues of the resolution made in their June 7 meeting in favor of the Haavara initiative, clarifying that without an Israeli/Jewish-German agreement on the issue of compensation, one that addressed the Haavara initiative first and foremost, it would not be possible to extract any significant funds stemming from the sale of Jewish property or personal indemnification from the Germans. Considering the Jewish Agency’s failure to broker such an agreement on its own, the government would have to take the dramatic measure of stepping in. He proposed that “we agree for a representative of the government to enter negotiations in this domain [compensation]” with the Germans.

The response of those present to the radical proposal was positive, and at the close of discussion the government moved by an overwhelming majority to instruct the Ministries of Finance and Foreign Affairs to take action in order to “release indemnification and [property restitution] funds from the Germans by way of direct contact with the German governments” (i.e. the governments of the FRG

⁵⁴ BGA, GCD, E. Kaplan to S. Eisenberg, March 3, 1950.

⁵⁵ ISA, Meeting of the Cabinet, November 1, 1949, 4–5.

⁵⁶ CZA, S100/62, Meeting of the Jewish Agency Executive, January 18, 1950, 12.

⁵⁷ ISA, MFA 2417/1, G. Landauer to M. Sharett, March 17, 1950.

and the GDR). This move was to be orchestrated together with the Jewish Agency. The public, it was noted in the margins of the decision, “need to receive appropriate explanations on the subject.”⁵⁸

The government’s decision thus broadened the hatch in the boycott wall even further. This time, direct and official contact with the Germans would be made by a representative of the State rather than the Jewish Agency or an individual survivor. Moreover, the contact wasn’t even supposed to be secret.⁵⁹

The decision made on February 15, 1950 was a complete deviation from the official government line that ruled out any direct and formal contact between Jerusalem and Bonn and/or Berlin, including on the question of compensation. This principled position was in effect for nearly four years, between mid-May 1948 – the date on which the State of Israel was founded – and the end of December 1951 – when Jerusalem decided to hold direct negotiations with Bonn on the issue of reparations. The February 15 decision was an exception in this sequence of time. There is no piece of information in the entire body of primary sources that explains this deviation. However, as it was mentioned, it appears that the support of important parties in Israel for Israeli-German contact on the question of compensation and the chancellor’s statement of November 11 caused the ministers who opposed such contact to abandon their previous position. Besides, it may be guessed with caution that those ministers (similarly to Ben-Gurion, Sharett and Kaplan) did not perceive the decision made by the government as a far-reaching violation of the boycott policy. After all, the contact with the Germans was basically intended to extract compensation for the survivors living in Israel (through restitution of property and/or the obtaining indemnification funds). Probably this action was seen as a sort of continuation of the government’s decisions from November 1949 that were intended to assist the private survivors. It must be remembered that attempts to obtain the restoration of property and personal indemnifications had already been undertaken by the survivors and the successors’ organizations. That is, there was no sensational innovation here. It would be completely different if the Israeli contact with the Germans had been aimed to achieve collective reparations – i.e. a claim filed by the State of Israel, on behalf of the Jewish people (including the victims of the Holocaust). Such a move could have indicated reconciliation and normalization between the two peoples and hence a complete shattering of the boycott

⁵⁸ ISA, Meeting of the Cabinet, February 15, 1950, 29–40.

⁵⁹ Following the government’s decision, an Israeli representative went to both Germanys to discuss the matter of compensation (see chapter two). Many Israeli newspapers reported on his mission. See: *Ma’ariv*, April 12, 1950; *Herut*, July 10, 1950; *Ha-Tzofeh*, July 6, 1950.

principle. Moreover, as we will see in the next chapter, the “contact with the Germans” was made by a single Israeli official who stayed in Germany for several weeks. It is possible that the ministers were aware of this or assumed that this would be the case, and that to them it was a contact very limited in scope and which therefore did not dramatically contradict the boycott principle. It seems that they believed, or hoped, that such a limited contact would escape the public eye and therefore not cause any uproar.