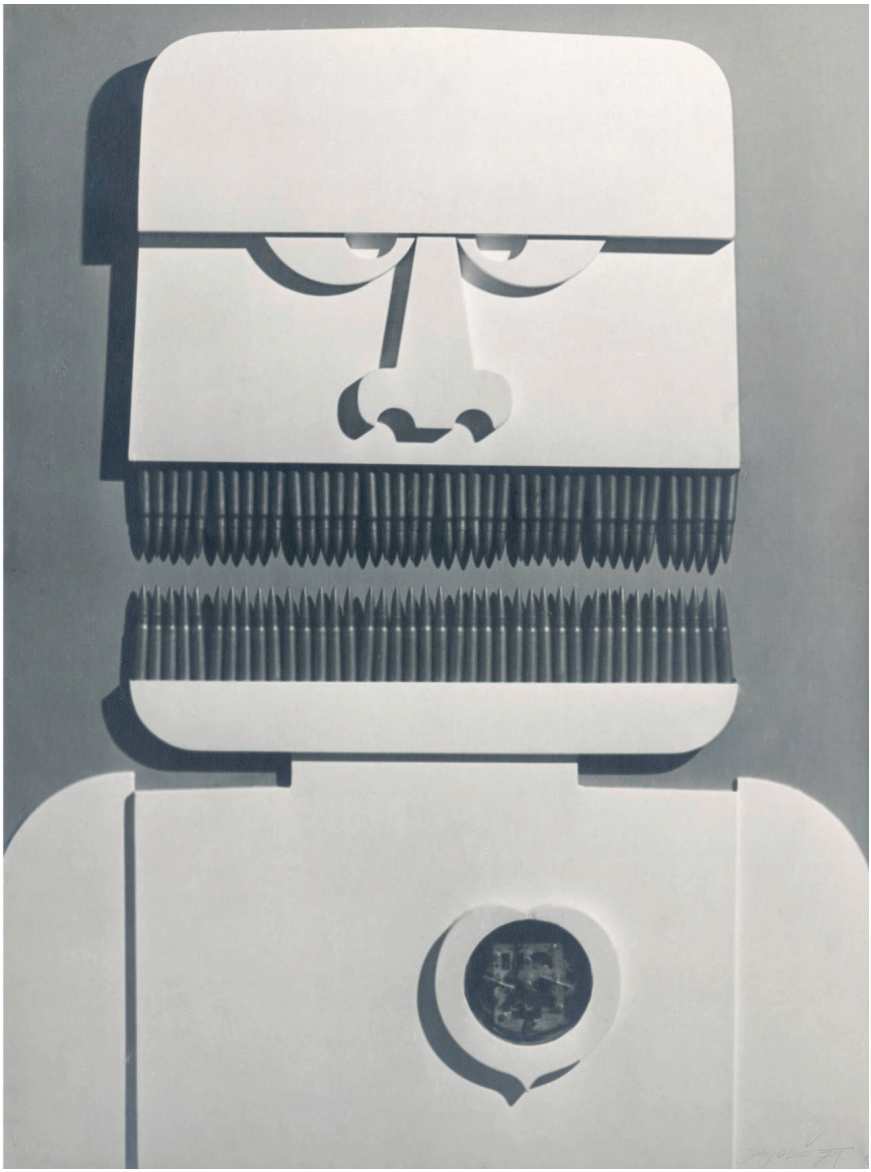
Peace Policies and Practices in Yugoslavia and Beyond



PEACE, UNCONDITIONAL!

Edited by
Sanja Petrović Todosijević and Martin Pogačar

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Stane Jagodič, *Misanthrope,* photomontage, 1999

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Zoran Janjetović*

Indemnification for Nazi Victims, the Federal Republic of Germany and Yugoslavia

Abstract The paper deals with the solution of the problem of indemnification for Nazi victims in Yugoslavia within the framework of Yugoslav-German relations and the New Ostpolitik. The solution of the problem was part of overcoming the legacy of the Second World War and of the development of the Détente.

Keywords Yugoslavia, West Germany, indemnification, Nazi victims

Conditions in Germany and Yugoslavia in 1945

Some fifteen years ago, the author of this article penned a book on how Yugoslavia received indemnification for Nazi victims from West Germany.[1] The aim of this paper is to highlight the importance of indemnification for Nazi victims for peace policy in broader terms both at home and in Europe, as part of the West German opening to Eastern Europe (the New Eastern Policy – Ostpolitik) of the late 1960s and to be sure, in Yugoslav-West German relations.

The Second World War left in its wake tens of millions of victims who had suffered in many ways and to different degrees. Germany was the main culprit, but the sufferings it inflicted on the population of much of Europe were repaid in millions of dead, refugees, displaced persons (DPs), locals rendered homeless by Allied bombings, as well as in destroyed cities, imprisoned

* Orcid: https://orcid.org/0000-0003-1645-9441

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1 Zoran Janjetović, *Od Auschwitza do Brijuna: Pitanje odštete žrtvama nacizma u jugoslavensko-zapadnonjemačkim odnosima* (Zagreb: Srednja Europa, 2007).

labour-force, ruined economy and an irreparably tarnished image in the eyes of the world.[2] Yugoslavia, one of the Third Reich's victims, came out of the war on the victorious side, but was equally ravaged by the war, in which some of the crimes were committed by the German forces alone, others by the German forces in collaboration with their allies and proxies, and others still by the latter, with or without German connivance. During the first post-war years, both countries started to recover but under diametrically opposed circumstances, which also contrasted drastically with their respective inter-war social, political and economic situations. Germany was not only occupied, but also territorially reduced and divided first into three and soon into four (Soviet, American, British and French) zones of occupation. Yugoslavia was liberated, restored as an independent state, and even enlarged under the new communist regime. The authorities in both countries envisaged not only material recovery, but also moral, intellectual and social transformation. The ideological shift would be radical in both countries: in the western parts of Germany, the change meant the introduction of the democratic system,[3] whereas in the eastern part of the former Reich and in Yugoslavia, the ideological change spelled the introduction of the Soviet-style communist dictatorship.[4] In keeping with the subject of this paper, I will leave East Germany largely out of the story and focus on the three western zones of occupation in Germany (that were united into the Federal Republic of Germany in September 1949) and socialist Yugoslavia, which parted ways with the Soviet Union and its satellites in 1948.

The roots of the policy of indemnification

The immense suffering inflicted by the Third Reich first on its own citizens and then on the world, called for moral catharsis and material indemnification. They were the mandate of humanity and social stability in an impoverished country where Nazi victims had to live side by side with the perpetrators and their abettors. Local initiatives to help the destitute masses were flanked by Allied material and administrative input.[5] Simultaneously with economic recovery went an administrative reorganization that included building a social care system that could handle millions of German families and individuals whose lives had been shattered by the war. As part of that structure, an elaborate system of indemnification for Nazi victims evolved. From the first local and regional welfare measures, it gradually developed into an important tool not only of social policy and the nation's moral rehabilitation, but also a foreign policy problem, which eventually transformed into an international bridge-building tool that retained its main features while continuously expanding its scope and means. It started as a set of measures for indemnifying German citizens but gradually evolved into a *par excellence* means of overcoming the consequences of the war in Europe. Over time, although not without diplomatic difficulties, Yugoslavia also became one of the indirect beneficiaries of this instrument of undoing the Nazi crimes. It would be both difficult and unnecessary to paint the complete picture of the decades-long process of its development.[6] For the purpose of this paper, we shall just pinpoint the major stages in its development before it became relevant for West Germany's New Eastern Policy (Neue Ostpolitik) and, in its framework, for Yugoslavia. This is important for explaining its significance for both bilateral relations, the peace policy aimed at diminishing tensions in Europe, and the eventual reunification of the country that had started the Second World War – Germany.

The question of indemnification for Nazi victims was no easy matter in post-war West Germany. It remained unpopular with the public for decades, even when it was no longer much of a burden on the country's strengthened economy. Several important elements were always intertwined in the matter. The moral responsibility to undo at least a fraction of the tragedy triggered by the Nazi regime opened questions that had both moral and material aspects. The material aspect concerned the question of who was liable to pay for the damage: former Nazis (with their confiscated property or fees for "de-Nazification"), their organizations (with their assets), the German provinces (*Länder*) or the whole German society embodied in the federal state established in 1949? The next question was how much that would cost, naturally leading to another question that also had to do with the financial magnitude of indemnification while also containing a tricky moral element: who should be recognized as a Nazi victim? Part of the answer was obvious, but the other part remained blear and tended to expand over the decades. The first to be recognized were the Jews. Although they soon became anchored in legislation as "*racially* persecuted", it took long before the Roma were also recognized as such. This delay had to do with their smaller number and marginal position in German society, but also with the ethnic stereotypes that were smoothly transferred from the pre-war times into the Federal Republic.[7] Apart from the racially persecuted, the ideologically persecuted were soon recognized as the second major group, although it was not always clear who had the right to aspire to this status. Finally, those persecuted on religious grounds (such as members of certain sects) were recognized as the smallest group of victims of "typical Nazi

2 Harald Jähner, *Aftermath: Life in the Fallout of the Third Reich* (London: WH Allen, 2022), 13–194.

3 I chose the word introduction rather than return or restitution, since democracy was imposed on the Weimar Republic and consequently failed to catch on during the brief and turbulent fifteen years before Hitler's dictatorship, cf. Hagen Šulce, *Pregled nemačke istorije* (Beograd: Narodna knjiga, 2001), 119–146; Eberhard Kolb, *The Weimar Republic* (London, New York: Routledge, 2005 (2nd ed.), 3–136.

4 Branko Petranović, *Jugoslavija na razmeđu (1945–1950)* (Podgorica: CANU, 1998); Vojislav G. Pavlović, *Od monarhije do republike: SAD i Jugoslavija (1941–1945)* (Beograd: Clio, Glas srpski, 1998).

5 Constantin Goschler, *Schuld und Schulden: Die Politik der Wiedergutmachung seit 1945* (Göttingen: Wallstein Verlag, 2008 (2nd ed.), 82–138; Hans-Dieter Kreikamp, "Zur Entstehung der Entschädigungsgesetzes der amerikanischen Besatzungszone," in *Wiedergutmachung in der Bundesrepublik Deutschland*, eds. Ludolf Herbst and Constantin Goschler (München: R. Oldenbourg Verlag, 1989), 61–75.

6 For the most comprehensive depiction so far, cf. Goschler, *Schuld und Schulden*.

7 Goschler, *Schuld und Schulden*, 158.

crimes". It was only much later that incarcerated homosexuals, forcibly sterilized (in Nazi parlance), the so-called "Asoziale" (vagabonds, drunkards, prostitutes etc.), too severely punished petty criminals or forced labourers were also acknowledged as Nazi victims: this had to do with the post-war generations' increased awareness of Nazi crimes, but also with the vastly increased economic power of West Germany, which allowed people to demand compensation and the government to acquiesce to those demands and devise ways to indemnify ever broader groups of people who had suffered at Nazis' hands.[8]

However, various aspects of indemnification have been hotly debated from the very beginning and remain so to this day. As a rule, the authorities (primarily finance ministries of all levels) strove to restrict the number of recognized victims who vied for government support with a much larger number of Germans – locals, refugees and expellees – who had also been damaged by the war and needed aid, or were simply voters loath to see their tax-payer money allocated for such purposes. Therefore, the stress was on the word "Germans". Having emerged from a pressing need to assist the victims of the Nazi dictatorship and war on the spot, the aid (in the form of indemnification for the victims *stricto sensu* and help for various other categories) was to be restricted to pre-war German citizens and those who had acquired that status after the war (the Volksdeutsche or the East European Jews who immigrated after the Second World War).

Such were the intentions that were made into three consecutive laws dealing with the matter. The first, the Federal Law on Indemnification, was passed in 1953. It was based on the legislation on indemnification drafted up to 1949 in the American zone of occupation, partly with the American military government's prodding. Since the other two western zones did not get as far in designing their own indemnification rules, the law of the American zone (comprising Bavaria, Hesse, northern Baden-Württemberg, Bremerhaven and Bremen) was adopted as the federal law regulating the matter. Although certain politicians acknowledged the moral debt, the opinions on the scope and goal of the law were quite disparate and would remain so for decades. Some of the law's shortcomings were quickly spotted, so it was expanded in 1956, but without changing its essence. Finally, by the time the "end of the post-war" era was proclaimed in the mid-1960s, when large sections of German society wanted literally "to put paid" to the Second World War, the final version of the law was passed in 1965.[9] It was meant to wrap up the indemnification process, but it was soon overtaken by the changing domestic and international political circumstances.

From the very beginning, things did not go according to the wishes of conservative politicians and large swathes of the society whose views of the Nazi era could be summed up with the motto "least said, sooner mended".[10] The crimes that had occurred between 1933 and 1945 were simply too vast to go away, both at home and abroad.[11] At home, indemnity became a subject of debate among political parties, interest groups and organizations, ministries within the government (or indeed departments within ministries), the judiciary and the press. In that respect, its development could be seen within the broader framework of the development of West German democracy and state of law. It was an onerous, trial-and-error process, made more difficult by the involvement of a host of representatives of diverging political, social and legal interests.

Indemnification for Nazi victims in West Germany's foreign relations

For the topic of this paper, it is the foreign policy aspect of the matter that is more interesting, not least because the indemnification question had a very strong propaganda quality from the very start: its goal was to alleviate the misery of Nazi victims, but also to cast a favourable light on the new, democratic Federal Republic (FRG),[12] even more so as it purported to be the sole successor to the Third Reich and the legitimate representative of the German people.[13] It was on the demand of Jewish organizations and with the explicit aim to be rid of the pariah status that the German federal government signed the accord on indemnification with the Claims Conference representing 22 Jewish organizations worldwide and with the State of Israel in 1952.[14] This set an important precedent for the future: firstly, Israel became the only country to receive compensation without having diplomatic relations with West Germany; secondly, most victims who received indemnity

8 Ibid., 97, 158, 237–281, 342–355, 436–450, 520–596.

9 Ibid., 230–252, 342–356.

10 During the 1950s, the prevailing feeling was "let bygones be bygones". The whole society was bent on rebuilding cities, economy and society, and there was no wish to look back to the tragic past, so incriminating for many people. The need of the Western Allies to have a strong and functional Federal Republic as their western bulwark in the Cold War also directed people and politicians to ignore the past as much as possible and to concentrate on the present.

11 The juridical and administrative practice in the implementation of the Federal German Indemnification Act, as well as of several smaller laws dealing with indemnification for certain groups, implementation decrees, decisions, explanations, etc. was so ample and so complicated that it merits not a book but a whole library. For more information, including the relevant works on the subject cf. Goschler, *Schuld und Schulden*.

12 Goschler, *Schuld und Schulden*, 179, 298, 307; Ludolf Herbst, "Einleitung," in *Wiedergutmachung in der Bundesrepublik Deutschland*, eds. Ludolf Herbst, Constantin Goschler (München: R. Oldenbourg Verlag, 1989), 27.

13 Dušan Nećak, *Hallsteinova doktrina i Jugoslavija: Tito između Savezne republike Njemačke i Demokratske republike njemačke* (Zagreb: Srednja Europa, 2004), 52–59; Peter Bender, *Die neue Ostpolitik und ihre Folgen. Vom Mauerbau bis zur Vereinigung* (München: Deutsche Taschenbuchverlag, 1995), 46. The FRG politicians and legal experts considered the German Reich as still existent and the Federal Republic of Germany, having democratic legitimacy, its sole legitimate successor and the representative of the whole German people. This claim was made especially with the view to East Germany and the territories under Soviet or Polish control, which were considered only temporarily occupied. Since the population of these territories did not enjoy democratic liberties, it could not voice its will. Hence, the FRG government had the right and obligation to represent their interests too. However, these premises carried a number of obligations and self-imposed restrictions – to be addressed soon.

14 Despite fierce opposition within and without the parliament the Israeli government agreed to a deal by which the money-starved Jewish state received three billion DM and the Claims Conference 450 million. The accord was signed in Luxembourg on 10 September, 1952. The federal chancellor Konrad Adenauer too had to break strong opposition headed by his minister of finance, Franz-Josef Strauss. Just how high the relative sum was can be seen from the fact that the total federal budget for 1953 was 27.85 billion DM. To be sure, the compensation was not paid as a lump sum but over 14 years, with one-third in goods; Goschler, *Schuld und Schulden*, 212–214.

were not German citizens anymore. However, these very facts underlined the fundamental flaw of the whole indemnification scheme: namely, that foreign victims, who made up the majority, would not be compensated. According to the German legal understanding, these victims were to be indemnified by their respective governments, who, in turn, would have to be compensated by Germany through reparations – once a peace treaty with all of Germany was signed. This was in keeping with international law practices, but as it was, it held propitious possibilities for the Federal Republic. The Cold War got in the way of the unification of Germany and thus of the peace treaty. At that time, the division of the country was deplored by most Germans, but the founding father of the Bonn Republic, Konrad Adenauer, was intelligent enough to drop the unachievable unification (and consequently the peace treaty!) from the agenda for an indefinite period of time without saying it aloud to the voters.[15] Other developments also favoured West Germany. The necessities of the day brought about the London Agreement on German External Debts in 1953, which regulated Germany's pre-war and post-war commercial debts, leaving the wartime obligations frozen until the peace settlement.[16] The Agreement was rightly viewed as the cornerstone of West Germany's economic miracle and German politicians were well advised to defend it on all occasions:[17] if the protective wall of the London Agreement on Debts were torn down or only pierced, it could entail the payment of untold billions that would bleed the German economy white. With the fate of the Weimar Republic in mind, this was not in the interest of the Western powers (especially the USA), which strove to put West Germany back on track as a valuable member of the Western alliance in the Cold War. The London Agreement on Debts, which included Yugoslavia among its signatories, was used by West Germany's administration time and again to fend off demands for compensation for all sorts of wartime damages.

The Cold War logic made it possible to ignore the Eastern European countries, but some foreign demands could not be brushed aside just like that if the Federal Republic was to be integrated into the Western alliances. In a joint note (submitted separately) in June 1956, Belgium, Denmark, France, Greece, the United Kingdom, Luxembourg, the Netherlands and Norway demanded indemnification for their citizens. Italy, Sweden, Switzerland and Austria soon followed suit. While the Federal Ministry of Finance put up the protective shield of the London Agreement on External Debts, the Foreign Ministry pushed for a "humanitarian" response that would continue to keep the reparations blocked

15 Bender, *Die neue Ostpolitik*, 48.

16 This means that reparations and other war-induced debts were left out of the agreement so as not to endanger the German economic recovery. The agreement was reached to support the interests of Western creditors, who wanted their post-war loans repaid. The strongest party, the USA, was not particularly concerned about the European countries that had suffered under German occupation, but was more interested in the inclusion of the Federal Republic of Germany into the world economy, as only an economically strong West Germany could invest in military needs; Goschler, *Schuld und Schulden*, 191–195.

17 Karl Heßdörfer, "Die finanzielle Dimension," in *Wiedergutmachung in der Bundesrepublik Deutschland*, eds. Ludolf Herbst and Constantin Goschler (München: R. Oldenbourg Verlag, 1989), 58.

but would offer a goodwill payment that would partly meet the demands of the Western partners. After the German reply met with indignation and after much debate between the German ministries, each country was offered individual negotiations. Chancellor Konrad Adenauer's supreme goal was to firmly embed the Federal Republic into Western alliances, so he supported the broader view taken by the Foreign Ministry, which managed to sway their more hesitant colleagues from the Finance Ministry.[18] Thus, between 1959 and 1964, negotiations were held with eleven countries, which eventually received 876 million DM in compensation.

This was the result of protracted haggling over legal definitions, numbers of victims and sums of money, but eventually political opportunism prevailed over victim numbers. In other words, it was not the actual or alleged number of victims or their eligibility that was decisive, but rather a given country's political importance. Accordingly, France received 400 million DM, the Netherlands 125 million, and Greece 115 million, whereas all other countries had to be content with much smaller sums. This was a triumph of foreign political pragmatism over legal hair-splitting. So, to wash their hands of their responsibility, the German government eventually agreed that the respective foreign governments distribute the money as they saw fit, meaning they could disregard the categorization of (in)eligible victims under the Federal Indemnification Act, while keeping up the protective wall of the London Agreement on German External Debts.[19] As agreed in separate negotiations, Austria eventually received 101 million DM. The bulk of the sum went into the already existing Austrian system of compensation for Nazi victims.[20]

A similar *ad hoc* measure, albeit on a much smaller scale, was compensation for victims of *in vivo* experiments that did not fall directly under the provisions of the Indemnification Act. Indeed, the Federal Government expressed willingness to compensate these victims soon after the United Nations Economic and Social Council raised the matter in 1951 (i.e. even before the law was passed). This was not a particularly momentous decision, as the number of victims was much lower and the expense much smaller. However, the matter carried much more weight in public, the victims having been particularly cruelly abused. Because of these facts, paying compensation for these atrocities was much less contentious in Bonn. Yugoslavia also applied and managed to complete its application and negotiations on money transfer methods by October 1956. However, the way to reimbursement was blocked the following year when FRG broke off diplomatic relations.[21]

18 Goschler, *Schuld und Schulden*, 302. The fear of bad press in the Western media under Jewish influence also played a role in the decision-making process, Ibid., 307.

19 This means that the Federal Government agreed to look the other way while partner governments distributed the money among former resistance combatants, hostages, forced labourers and other groups that, according to the Federal Indemnification Act, were entitled to compensation from the reparations.

20 For detailed accounts about the negotiations with each country, cf. *Grenzen der Wiedergutmachung. Die Entschädigung für NS-Verfolgte in West-und Osteuropa*, eds. Hans Günter Hockerts, Claudia Moisel and Tobias Winstel (Göttingen: Wallstein Verlag, 2006), cf. also Goschler, *Schuld und Schulden*, 296–307.

21 Zoran Janjetović, "Nemačka odšteta žrtvama pseudomedicinskih eksperimmenata u Jugoslaviji," in *Dijalog povijesničara-istoričara 10/2*, ed. Igor Graovac (Zagreb: Friedrich Naumann Stiftung, 2008), 267–269.

Although Yugoslavia recognized the FRG immediately after its foundation and soon established diplomatic relations, and despite the overall favourable course of the two countries' bilateral relations, West Germany broke off relations when Yugoslavia recognized and established diplomatic relations with the German Democratic Republic (GDR),[22] making Yugoslavia the first "victim" of the so-called "Hallstein Doctrine", which stipulated that the Federal Republic of Germany was the sole legitimate representative of the German people.[23] The doctrine was the fruit of the Cold War, which was, in turn, a consequence of the Second World War. Its aftermath brought about the division of Germany, which the politicians in its western part (reshaped as the Federal Republic) refused to accept as final.[24] Thus, reunification, with or without restoring the old borders, became the *idée fixe* of German politics, pursued with rigid perseverance (but with increasingly less conviction), which tended to become increasingly counter-productive over time. Although German Western allies, especially the US, France and the United Kingdom, strove to push Bonn to seek a more flexible approach, little changed during the first half of the 1960s.[25]

Yugoslavia's demands for indemnification for Nazi victims

For the topic of this paper, the primary importance of compensation for pseudo-medical experiments lies in the fact that it offered Yugoslav diplomacy an excuse to submit the demand for compensation for the victims of Nazi persecution, which would be much larger than that for the victims of *in vivo* experiments. It also provided an opportunity to develop certain negotiation tactics to be used later on during the negotiations on indemnification for Nazi victims. For the time being, after the severance of diplomatic relations, the case of the victims of *in vivo* experiments rested for a year before the Yugoslav government decided to pick up the negotiations. They dragged on until April 1961 when the Federal Republic agreed to pay 1.75 million DM as compensation for these victims[26] The negotiations about compensation for the victims of pseudo-medical experiments set up a model of sorts containing some major features of the future negotiations about indemnification for Nazi victims: preference for a lump sum, insufficient evidence and the use of one moot question to exert pressure for negotiations on other contentious issues.

Soon after the signing of the agreement on compensation for the victims of pseudo-medical experiments, the Yugoslav side started to press for its revision, taking this opportunity to make West Germany pay a high compensation for Nazi victims. In order to alleviate the pressure in this more difficult issue, as well as on the trade talks, the government of the Federal Republic consented to increase the indemnity for the victims of *in vivo* experiments to 7.95 million DM in mid-1963.[27] It should be noted that the US also suggested showing a willingness to accommodate Yugoslavia's requests, seeing this as a common interest of the West. This was not the first time that its position between the two blocs enabled Yugoslavia to obtain support from one of the rivalling parties.

The Yugoslav administration perceived the demand for compensation for Nazi victims primarily as an economic issue. During the planning stage of the initiative, it was regretted that the victims would have to be indemnified by the Yugoslav government, albeit in Yugoslav dinars. It was fondly remembered that Italy and Hungary had paid reparations to the Yugoslav government, which had given nothing to the actual victims.[28] The first discussions in the Foreign Ministry were not about the number of victims (let alone the compensation each of them could get), but about the sums that could be demanded. They ranged between 100 million dollars, the sum France had received, and 500 million, seen as the realistically obtainable amount of German reparations.[29] It should be noted that Yugoslav diplomacy was aware of all the difficulties, from the lack of diplomatic relations, to the possibility the West German side would try to set the indemnification demand off against the demand for compensation for the Volksdeutsche property confiscated in Yugoslavia at the end of the Second World War[30] or by factoring in the sums already paid for the victims of pseudo-medical experiments or the economic aid given in 1956. They

22 On these relations after the Second World War, cf. Natalija Dimić Lompar, "Podeljena Nemačka i Jugoslavija (1945–1966): Politički odnosi u Hladnom ratu" (Ph.D. diss., University of Novi Sad, 2023), 110–159, 220–224. Tito's decision to recognize and establish diplomatic relations with the GDR was not only an acknowledgement of the existing situation but also had much to do with his wish to normalize Yugoslavia's relations with Eastern European countries and Yugoslavia's economic interests. On West Germany's decision to punish Yugoslavia's recognition of East Germany, cf. Dimić Lompar, "Podeljena Nemačka," 263–272; Nećak, *Hallsteinova doktrina*, 139–144. Ironically, the relations with Eastern European countries were spoiled only a month later, which only goes to show how difficult it could be to sit on two chairs.

23 Cf. supra.

24 The East German regime paid lip service to national unity until 1974 when the German nation was scrapped from the new Constitution, implying the existence of a separate eastern German nation, Wolfgang Schmidt, "Willy Brandts Ost- und Deutschlandpolitik," in *Willy Brands Außenpolitik*, ed. Bernd Rother (Wiesbaden: Springer, 2014), 229–230.

25 Jost Kleuters, *Reunification in West German Party Politics from Westbindung to Ostpolitik* (Basingstoke: Palgrave Macmillan, 2012). Peter Bender rightly noted that the unattainable was set as the main goal; the less the politicians could achieve, the more they had to talk about it. In September 1955, 21% of West Germans believed the reunification was far away, and in August 1959, that was the belief of 67%; Bender, *Die neue Ostpolitik*, 53–54.

26 Janjetović, "Nemačka odšteta," 268–273.

27 Ibid., 274–276.

28 Janjetović, *Od Auschwitza do Brijuna,* 36–38. Later on, during the 1960s, while indemnification was discussed between Yugoslavia's and West Germany's representatives, no secret was made of the economic importance of the matter, Ibid., 59, 72, 82.

29 Ibid., 40.

30 There were some 500,000 ethnic Germans in Yugoslavia prior to the Second World War. Most of them sided with the Germans and other aggressors during the war. Although most of the largest national minorities (Hungarians, Albanians, Bulgarians) also sided with the enemy, the post-war communist authorities meted out collective punishment only to the Volksdeutsche. The main reasons were a fear of Germany's possible resurgence sometime in the future and the extensive property of the ethnic Germans. Furthermore, the war crimes of the Reich Germans and their allies had rubbed off on the ethnic Germans, and last but not least, the communist authorities started developing "brotherly" relations with the patron states of other minorities (including plans for a union or federation with Albania and Bulgaria) that fell under Soviet domination; cf. Zoran Janjetović, *Konfrontacija i integracija: Nacionalne manjine u Srbiji 1944–1964* (Beograd: INIS, 2022), 191–373.

were also aware of the German fear of a precedent that would enable Czechoslovakia[31] to ask for an indemnity, too. But the stakes were too high, and the Yugoslav leadership decided to give it a try. In autumn 1962, they entertained hopes that the Federal Republic would eventually write off Yugoslavia's debts instead of an indemnification payment.[32] All this clearly shows that the money the government would receive rather than the victims was the crux of the matter, since the victims and the actual ways to compensate them never featured in internal discussions on policy among the Yugoslav bureaucrats.[33]

On the face of it, Yugoslavia's economic situation did not warrant such callousness. Between 1956 and 1960, its economic growth was the second-highest in the world (after Japan's). However, behind the splendid façade, intrinsic difficulties began to make themselves increasingly felt. The spectacular economic growth after 1952 was financed for the most part from foreign loans and reparations, whereas some 35% of investments came as grants. Growth was also financed by growing foreign trade deficit. Exports started to fall from 1958 onward, and so did the profitability of investments. Productivity grew slowly; the industrial technology was obsolete, and infrastructure underdeveloped. The country imported machinery for hard cash and exported industrial goods to the Third World through clearing or on credit.[34] On top of these in-built flaws, Tito's foreign policy moves unfavourably impacted Yugoslavia's economy. Thus, Western loans that once used to turn into *de facto* grants (to "keep Tito afloat") before the Belgrade Declaration of 1955 (which sealed Yugoslavia's reconciliation with the Soviet Union), now came as normal loans that had to be paid back; the Summit of the Non-Aligned Movement in Belgrade in 1961 also angered the West, so the loans that came after this were purely commercial. Imports of wheat, edible oil and cotton became more difficult after the conference, and from 1964 on, these commodities could be bought only for hard currency. Around the same time, the European Economic Community set up protective tariffs, thereby introducing additional difficulties for Yugoslav exports. Concurrently, Yugoslavia imported machinery and raw materials from the EEC.[35]

This economic predicament forced the Yugoslav government to implement monetary reform in 1961, aiming to make the dinar convertible to prevent favouring some branches of the economy or certain companies. The reform involved the abolition of several parallel exchange rates, devaluation of the dinar and bank reform. This plunged the economy into recession. Industrial production during the first half of 1961 was halved compared to 1960, and imports grew while exports stagnated. Salary growth had no grounds in actual production. A huge financial infusion in the second half of 1962 stabilized the situation and enabled renewed growth in 1963, but the price was inflation and a high deficit.[36] Due to such bleak economic situation, the Yugoslav diplomacy was pressed to seek ways to obtain the sorely needed funds.

Despite American pressure on the Federal Republic to streamline its policy with that of the US, which prioritized easing tensions after the Cuban Missile Crisis, the West German government did not find it necessary to change its policy toward Eastern Europe. In their eyes, Yugoslavia had leaned too much to the east after its recognition of the GDR. Thus, it could not hope for great concessions. A plausible excuse was at hand: Yugoslavia no longer had diplomatic relations with West Germany, just like other socialist countries, except for the USSR. Thus, the negative reply to Yugoslav demands of March 1963 it came as no surprise when the note from March 1963 answering Yugoslav demands was negative, although it did offer trade talks and increasing payments for the victims of pseudo-medical experiments, as a sop.[37] Interestingly enough, by that point, a rough idea for a solution appeared, which both parties would adopt ten years later. According to Yugoslav documents, the German representative attached to the French Embassy in Belgrade, Hans Bock, suggested that within the framework of the trade talks, the Federal Republic could grant Yugoslavia a loan of 400 million DM to be converted later, when the situation allowed, into indemnification for Nazi victims. For fear of Czechoslovak and other Eastern European demands, however, the deal could not be sold under the name of indemnification. Allegedly, the Yugoslav side refused the offer of 400 million DM because France, which admittedly had not suffered as heavily as Yugoslavia, had received that much. However, according to Bock's subsequent note, it was the Yugoslavs who suggested the solution within the framework of the trade negotiations, which he rejected.[38]

Whichever side had proposed the solution through trade talks (which took place in July 1963), it was rejected on the grounds of the still valid "Hallstein Doctrine", which permitted no indemnification for countries that did not have diplomatic relations with Germany. Furthermore, the FRG government feared that indemnification for Yugoslavia would send the wrong message to the non-aligned countries, who could be misled to believe that their possible recognition of the GDR would go unpunished. These were the official reasons, but the more palpable ones can be better gauged from the sums: Yugoslavia wanted West Germany to cancel its debt of 130 million dollars and grant Yugoslavia a gratis (sic) loan of 70 million dollars for goods and an investment loan to the tune of 100 million dollars.[39]

31 Czechoslovakia was the only Eastern European country originally allowed to demand reparations from West Germany.

32 Ibid., 42.

33 Cf. Janjetović, *Od Auschwitza do Brijuna*, passim.

34 Milan Piljak, "Reforme jugoslovenskog ekonomskog sistema 1945–1965," in *Istorijska tribina: Istraživanja mladih saradnika*, 1 (Beograd: INIS, 2013), 221–223.

35 Ibid., 228–229.

36 Ibid., 229–230.

37 Janjetović, *Od Auschwitza do Brijuna*, 45–46.

38 Ibid., 46–47.

39 Ibid., 51–52. It should be kept in mind that one dollar was worth 3.98 DM at that time.

Thus, a rough draft of the proposed solution was on the table from the very beginning of negotiations, but the time was not ripe for the implementation of such creative foreign policy thinking. Yugoslavia's economic difficulties continued unabated: the deficit continued to grow while investments dropped. In 1966, inflation reached 28%. The reform implemented in 1965 to solve Yugoslav economic problems led to another steep rise in unemployment (47% between 1964 and 1968).[40] The Yugoslavs had plenty of reasons to ask for money, but the West German side was unresponsive, not least due to the magnitude of the Yugoslav demands.

By the time Yugoslav diplomats broached the subject of indemnification for Nazi victims, West German foreign policy still firmly followed the beaten track, even though the global situation was changing and the leading Western powers, the USA, France and the United Kingdom, were pushing for a change that would make it possible to ease the tensions with the Eastern Bloc. The Soviet Union also evinced willingness for peaceful co-existence.[41] The conservative politicians in Bonn believed in a policy of strength and saw the reunification of Germany as a precondition for easing tensions in Europe. This meant that the Federal Republic spoke one language (the "European") when addressing its Western partners and a brusquer one when addressing Eastern European countries. While the ideological divide made this possible,[42] the usefulness of such an approach remained debatable. The domestic rationale for an increasingly sterile foreign policy was that the largest (and ruling) parties, the Christian Democratic Union (CDU), with its Bavarian sister-party, the Christian Social Union (CSU), staked everything on the reunification myth, which receded into an ever more distant future.[43] They could not give up the myth without losing credibility with a broad section of conservative voters who ardently believed in reunification.

It was the Social Democrats, having always evinced greater open-mindedness, who suggested a new approach at a party meeting in 1963. The idea of "change through rapprochement" was first launched by Egon Bahr and discretely supported by Willy Brandt, who would become the party's secretary general in 1964.[44] The idea presupposed that West Germany had to seek closer contacts with Eastern European countries and the GDR so as to change them through economic, cultural and scientific cooperation. Such cooperation would lead to a general easing of tensions in Europe, and this could, in turn, eventually enable German reunification. The Americans and the British also favoured this policy at that time.[45] The problem was that the Social Democrats were an opposition party at the time Yugoslavia put forward its bid for indemnification. Furthermore, the idea of a new Eastern policy was not readily accepted by all in the Social Democratic Party itself, let alone in West German society at large. The ruling CDU/CSU, supported by the influential lobby of the expellees, seemed resistant to American prodding.[46] The repressive East German regime did everything to confirm these beliefs. The small Party of Liberal Democrats was somewhat more open-minded, but as a perennial junior partner in the government, it could do little to change the main political course. Because of that, only token improvements and half-hearted symbolic gestures of goodwill toward Eastern Europe were shown between 1963 and 1966.[47] Equally fruitless in this period were Yugoslav attempts to pressure West German diplomacy and the world public on the issue of indemnification. Tito's visit to East Germany in 1965 did not help the matter, although the Yugoslav side tried to give it as low a profile as possible.[48]

The situation could not be resolved without a policy change on the part of the stronger partner. The convergence of several domestic and foreign political, social, demographic and economic factors brought about the historical change in West German policy. Simultaneously with the changes in policy on the European level, epitomized in the tendency of both superpowers to de-escalate tensions and seek peaceful coexistence in Europe, outlined above, there were changes in the FRG society, some of which have also been mentioned in the first part of this article.[49] Although the politicians wanted to

40 Marie-Janin Calic, *Geschichte Jugoslawiens im 20. Jahrhundert* (Bonn: Bundeszentralle für politische Bildung, 2010), 229. To alleviate unemployment, the authorities allowed unskilled labourers to seek work abroad in 1962. By 1968, Yugoslavia had agreements on foreign labour with Sweden, Austria and France before concluding one with the FRG.

41 Schmidt, "Willy Brandts Ost- und Deutschlandpolitik," 177; Hans-Joachim Noack, *Willy Brandt: Ein Leben, ein Jahrhundert* (Reinbek bei Hamburg: RoWohlt, 2013), 158; Arne Hofmann, *The Emergence of Détante in Europe. Brandt, Kennedy and the Formation of Ostpolitik* (London, New York: Routledge, 2007), 80–84.

42 Bender, *Die neue Ostpolitik*, 24–25.

43 Ibid., 76.

44 Dušan Nećak, *"Ostpolitik" Willya Brandta i Jugoslavija (1963.–1969.)* (Zagreb: Srednja Europa, 2015), 1–4; Andreas Wilkens, "New Ostpolitik and European Integrations," in *European Integration and the Cold War: Ostpolitik – Westpolitik, 1965–1973*, ed. N. Piers Ludlow (London, New York: Routledge, 2007), 69; Bender, *Die neue Ostpolitik*, 80–83; Hofmann, *The Emergence*, 85–86. The policy was proposed as a series of small steps that would gradually induce changes in socialist countries, but without awakening Soviet suspicion and provoking an intervention. In a way, it was an extension of Willy Brandt's policy in divided Berlin that aimed at "piercing the Berlin Wall" in many places to keep the ties between the people and alleviate the hardships of the population, Bender, *Die neue Ostpolitik*, 131–132.

45 Bender, *Die neue Ostpolitik*, 83. At first, Willy Brandt himself was hesitant to adopt the policy of "change through rapprochement", Schmidt, "Willy Brandts Ost- und Deutschlandpolitik," 183–184.

46 Vladimir Ivanović, *Jugoslavija i SR Nemačka 1967–1973: Između ideologije i pragmatizma* (Beograd: ISI, 2009), 31–32. To make things worse, the FRG managed in 1964 to alienate both France (which pushed for a more independent European policy) and the USA (which favoured easing tensions with the East).

47 Kleuters, *Reunification*, 113–114; Schmidt, "Willy Brandts Ost- und Deutschlandpolitik," 186; Bender, *Die neue Ostpolitik*, 115–116. A breakthrough in relations with the Eastern neighbours would also require heavy sacrifices, such as recognizing the Oder-Neisse border (i.e. the final loss of some 25% of Germany's pre-war territory). Neither the CDU/CSU nor their voters were ready for that; Bender, *Die neue Ostpolitik*, 108. On the other hand, there was mistrust toward West German intentions in the East and growing estrangement between the people in the two German states: in some West German backwoods, people believed Russian was spoken in the GDR, which was probably a remnant of much older prejudices. West Germans started looking at their Eastern brethren down their noses, whereas the East Germans wanted a reunification, but not an Anschluss; Bender, *Die neue Ostpolitik*, 111–113.

48 Janjetović, *Od Auschwitza do Brijuna*, 53–63. Within the framework of measures aimed at putting pressure on Bonn, the census of wartime victims was conducted. Even after corrections, it yielded "only" 597.323 war victims –way below the official number of 1.7 million. For that reason, the census results were put under lock and key for the next three decades, Ibid., 21–22, 55. On the impact of Tito's visit, cf. Dimić Lompar, "Podeljena Nemačka," 442–457.

49 During the 1960s, new generations of West Germans, socialized after the war and with strong left-wing leanings, started examining their parents' past more critically, not only their wartime record, but also the moral silence about it during the late 1940s and 1950s, cultural stagnation born out of economic success and complacency; Hagen Šulce, Pregled nemačke istorije (Beograd: Narodna knjiga) 2001, 189–192.

proclaim the end of the "postwar" period and leave the whole unsavoury chapter of Nazi dictatorship, war and defeat behind, it was not that simple. New generations had started university and joined the labour force and the electorate. The Eichmann and Auschwitz trials[50] drew public attention back to war crimes and the Second World War, which tended to be suppressed from German public discourse during the 1950s.[51] The most outstanding foreign policy matters had to do with the Second World War: reunification, borders, indemnification/reparations, and relations with the Eastern Bloc. At home, the actual success of denazification became questionable. Some intellectuals and the press viewed these issues critically, calling for reconsideration and a change in foreign policy toward the East. The young generations, born after the war, questioned their fathers' role in the war and were critical of the "establishment". Thus, the time was ripe for a change.[52]

The shift came about as the Grand Coalition of the CDU/CSU with the SPD, but it was not a sudden U-turn. The elements of the New Eastern Policy (Ostpolitik) had been brewing since the early 1960s, but it took time for them to prevail even after the Grand Coalition came about and Willy Brandt became its foreign minister. The government roughly agreed that a change of policy towards the East was necessary, but not how far they should go. Even for the Social Democrats, the period of the Grand Coalition was the period when the Ostpolitik took its final shape, aiming for peace in Europe and the reunification of Germany in the distant future. Such long-term goals presupposed economic and other ties with the GDR and diplomatic relations with Eastern European countries.[53]

Negotiations

Although the new government showed signs of goodwill toward Yugoslavia in 1967,[54] the first Eastern European country to benefit from this policy shift was Romania, which strove to lead within the Eastern Bloc a policy more independent from the line laid down by the USSR and was most eager to take up diplomatic relations with the FRG. Conveniently, it had no contentious issues with the Federal Republic. Hungary and Bulgaria were next in line, but in February 1968, the GDR made the Warsaw Pact countries adopt the policy that none of them would establish diplomatic relations with West Germany before the German Democratic Republic.[55] With this avenue blocked, West German diplomacy turned to Yugoslavia, admittedly not as important in the context of building bridges with the East,[56] although its connections to the Third World made it by no means irrelevant. Furthermore, despite the non-existence of diplomatic relations, cooperation persisted in many spheres, such as trade, credit, tourism and Yugoslav guest workers in the FRG. For these reasons, but also in the hope of clearing the outstanding bones of contention (such as the trade agreement, position of guest workers, anti-Yugoslav activities of political émigrés and, to be sure, indemnification for Nazi victims), Yugoslavia was willing to reestablish full diplomatic relations with no preconditions. On the other side, there were fears that resuming diplomatic relations with Yugoslavia would revive the demands for indemnification for Nazi victims, encourage Third World countries (especially Arab ones) to recognize the GDR and anger the Soviet Union. After thorough diplomatic soundings were taken, the relations were reestablished on 31 January, 1968.[57] In a way, this marked the formal end of the "Hallstein Doctrine",[58] but it did not produce a domino-effect recognition of East Germany by the non-aligned countries. At the same time, in the GDR and the Soviet Union, the position of East Germany was deemed strengthened rather than weakened.

To be sure, since nothing happens overnight in world relations, the problem of indemnification for Nazi victims could not be solved immediately, especially as the relations with Yugoslavia were not the highest priority of the Ostpolitik and the solution of the issue could be costly. Nevertheless, in his capacity as foreign minister, Willy Brandt visited Yugoslavia in June 1968 and, in principle, showed willingness to solve the indemnification question, but not under that name, which would be unpopular in the FRG. He offered Tito the prospect of considerable economic privileges for Yugoslavia over the next few years.[59]

50 Adolf Eichmann was one of the main organizers of the Holocaust. He managed to escape to Argentina, but was abducted by the Israeli secret service, tried in Jerusalem in 1961 and sentenced to death, just like the several hundred other perpetrators of crimes in Auschwitz had been sentenced in Poland in 1947/48. During the late 1950s and early 1960s, some more trials for the Auschwitz crimes were held in West Germany. The largest one, against 20 defendants, was held in Frankfurt in 1963–1965. It brought the immensity of the crimes to the centre of public attention; Friedmann Bedürftig, *Drittes Reich und Zweiter Weltkrieg: Das Lexikon* (München, Zürich: Pieper, 2002), 44–45, 131–132.

51 Benedikt Schoenborn, *Reconciliation Road: Willy Brandt, Ostpolitik and the Quest for European Peace* (New York, Oxford: Berghahn, 2020), 66–68.

52 Bender, *Die neue Ostpolitik*, 120–123.

53 Ibid., 135–137; Schoenborn, *Reconciliation Road,* 6–8, 69–72. For Willy Brandt, the fine-tuning of the Ostpolitik was on-the-job training, i.e. he followed the events and adapted to them. Its main result was the acceptance of the status quo as the precondition for changing it; Barbara Marshal, *Willy Brandt: A Political Biography* (London: Macmillan, 1997), 55–59.

54 Ivanović, *Jugoslavija i SR Nemačka*, 68–69. German concessions concerned trade and credit benefits.

55 Bender, *Die neue Ostpolitik*, 143–145; Marshal, *Willy Brandt*, 57. There were also other conditions virtually unacceptable for the FRG: the recognition of the Oder-Neisse border, West Berlin as a separate unit, the nullification of the Munich agreement of 1938 and the renunciation of nuclear arms.

56 In his memoirs, Willy Brandt said that reestablishing diplomatic relations with Yugoslavia was peripheral in comparison with normalizing West German relations with the Soviet Union and Eastern European countries; Willy Brandt, *My Life in Politics* (London: Viking Penguin, 1992), 164.

57 Ivanović, *Jugoslavija i SR Nemačka*, 68–82; Nećak, *"Ostpolitik,"* 111–161.

58 The doctrine had softened in relation to other Eastern European countries during the previous few of years. According to the "miscarriage theory", these countries had to recognize the GDR because of Soviet pressure, i.e. not of their own free will; the theory did not apply to Yugoslavia, which was not under Soviet influence, and had thus recognized East Germany of its own volition; Ivanović, *Jugoslavija i SR Nemačka*, 43. It was a face-saving device that enabled more elbowroom.

59 Ivanović, *Jugoslavija i SR Nemačka*, 100; Nećak, *"Ostpolitik,"* 221–222; Janjetović, *Od Auschwitza do Brijuna*, 72–73.

Indeed, the bilateral relations started to develop quickly and fruitfully: within ten months after the restoration of diplomatic relations, agreements on trade and guest workers were concluded, Yugoslav exports to West Germany increased by 25%, and negotiations on economic and cultural cooperation were in sight.[60] Despite that, the Yugoslav government was unwilling to wait indefinitely for indemnification, and Yugoslavia's pressing financial obligations made it even less inclined to do so than it would have been normally.[61] For that reason, the Yugoslav minister Toma Granfil reopened the question in February 1969 when signing the agreement on economic, industrial and technical cooperation. Henceforth, the negotiations went along the already beaten track, with pretty much the same legalistic and moralistic arguments and discussion of similar sums and possible ways of compensation.[62] There was little new in the arguments of both parties, but the international and West German contexts had changed.

In September 1969, the Social Democrats formed a government with the Liberal Democrats in which they were the senior partner.[63] This enabled them to pursue their Ostpolitik more vigorously,[64] but the relations with the Soviet Union and Poland were more important than with Yugoslavia. In the light of that fact, as well as of the complexity of the indemnification issue, it came as no surprise that both the Moscow Agreement with the USSR (August 1970) and the Warsaw Agreement with Poland (December 1970) were signed years before the issue of compensation with Yugoslavia could be laid at rest.[65] Indeed, the agreements with the Soviet Union and Poland came about within the framework of the Federal Republic's Ostpolitik and the general Western diplomatic offensive aimed at reducing tensions in Europe, comprising talks on the reduction of nuclear weapons and the number of troops, the status of Berlin and abstention from the use of force.[66]

60 Janjetović, *Od Auschwitza do Brijuna*, 75.

61 In 1970 alone, Yugoslavia was due to repay 120 million dollars in foreign loans; Janjetović, *Od Auschwitza do Brijuna*, 90.

62 Ibid., 76ff; Ivanović, *Jugoslavija i SR Nemačka*, 102–116. In the West German Foreign Ministry, the Political Department favoured magnanimity toward Yugoslavia (since, by consenting to the Ostpolitik, one took expenses into account), whereas the Legal Department cautioned that the Yugoslav demand for 2 billion DM was exorbitant and could induce other Eastern European countries to demand up to 10 billion. It also warned that if the Volksdeutsche and POW demands for indemnification from Yugoslavia were disregarded in this case, the same weapon could not be used against other Eastern European countries, where it could be wielded even more efficiently; Janjetović, *Od Auschwitza do Brijuna*, 88–89.

63 The Yugoslav top brass were very happy with this. They sympathized with the Social Democrats partly on ideological grounds, and they liked Willy Brandt as a proven anti-fascist who could contribute much to the improvement of Yugoslav-West German relations, easing international tensions and strengthening peace in Europe; Dimić Lompar, "Podeljena Nemačka," 501–502, 507–508.

64 One of the issues in the election campaign of 1969 was the Eastern policy: Willy Brandt argued that European security and the East-West balance were at stake and that those goals could not be achieved with the CDU/CSU; Noack, *Willy Brandt*, 172.

65 Schoenborn, *Reconciliation Road*, 93–119; Bender, *Die neue Ostpolitik*, 177–182; Marshal, *Willy Brandt*, 70–73.

66 Both superpowers had reasons of their own for seeking a détente in Europe in the late 1960s: the USA was preoccupied in Vietnam, and the Soviet Union was engaged in a conflict with China, and their stockpiles of nuclear weapons were roughly equal. For that reason, they were willing to encourage their smaller allies to work toward de-escalating tensions in Europe, but without forgetting who had the final say; Robert D. Schulzinger, "Détente in the Nixon-Ford Years, 1969–1976," in *The Cambridge History of the Cold War, II: Crisis and Détente,* eds. Melvyn P. Leffler and Odd Arne Westad (Cambridge: Cambridge University Press, 2010), 374–383.

Accordingly, Bonn expressed the intention to acknowledge the Oder-Neisse border until the final peace settlement, as well as to respect the border with the GDR and nullify the Munich Accord of 1938. In early November 1972, a few days before the elections at which the Social Democrats enlarged their hitherto slim parliamentary majority, the Basic Treaty with East Germany was initialized.[67]

Meanwhile, during the preparatory Yugoslav-German talks on indemnification, both sides mainly reiterated old arguments, but before the official negotiations began, West Germany's foreign minister, Walter Scheel, visited Belgrade and proposed to settle the matter through a "capital aid" package to the tune of 300 million DM. It was an offer of a loan under favorable conditions, to be repaid in 30 years and with a grace period of eight years.[68] The official talks started in May 1971 and revolved yet again around the number and categories of victims, the sum and the ways to settle the payment. This time, the German side proposed an indemnification package of 100 million DM and capital aid of 300 million DM. When this was refused, they offered 400 million as indemnification, but no capital aid. Since the negotiations on a stabilization loan had started at the same time, the Germans meant to use it as leverage.[69] In December 1972, Yugoslavia was granted the stabilization loan, and the 100+300 offer was repeated and again rejected. To get out of the impasse, the West German government proposed to put indemnification on hold and offered 300 million DM in capital aid, unattached to projects. Needing money, the Yugoslavs accepted this.[70]

However, just like in the case of the compensation for the victims of pseudo-medical experiments, the Yugoslav authorities asked for the sum to be increased three months later. The moment seemed propitious: Willy Brandt's Social Democrats had just scored a landslide victory at the elections, and the chancellor's visit was scheduled for April 1973. Indeed, it was during that visit that the decisive breakthrough was achieved. Brandt and Tito, who proposed a solution through capital aid, settled the matter behind closed doors. Brandt said his country could not keep returning to the past but could not run away from it either. Still, he was inclined to look to the future and overcome the past through future long-term economic cooperation. Apart from one billion DM in capital aid, German investments into the Yugoslav economy were promised, and guarantees for the deposits of guest workers in Yugoslav banks were granted. The two statesmen made a "gentlemen's agreement" that their aides and staff formulated into an official contract,[71]

67 Schmidt, "Willy Brandts Ost- und Deutschlandpolitik," 201–223; Kleuters, *Reunification*, 158–159; Schoenborn, *Reconciliation Road*, 138–139; Schmidt, "Willy Brandts Ost- und Deutschlandpolitik," 219–221.

68 Ivanović, *Jugoslavija i SR Nemačka*, 109.

69 Ibid., 111–113; Janjetović, *Od Auschwitza do Brijuna,* 104–112.

70 The accord was duly signed in December 1972; Janjetović, *Od Auschwitza do Brijuna*, 113; Ivanović, *Jugoslavija i SR Nemačka*, 115.

71 There were some minor hurdles concerning the phrasing in the document, the "Berlin Clause" and the question of whether the money was to be tied to concrete projects or not. These stumbling blocks were why it took so long to finalize the document. To be sure, there was some opposition in the West German parliament too.

which was finally signed in December 1974. Apart from the 300 million from December 1972, Yugoslavia received 350 million DM for various projects and 350 million for imports of goods and services.[72] The actual Nazi victims received nothing.

The problem of indemnification for Nazi victims that had plagued Yugoslav-West German relations for so long was finally settled within the framework of the FRG's *Neue Ostpolitik*. Thus, it became a piece of a much broader mosaic made from the early 1960s onwards, from President Kennedy's peace initiative to the *Neue Ostpolitik* and the détente of the first half of the 1970s. The main proponents of the new eastern policy were Willy Brandt and his right-hand man, Egon Bahr, who had experienced the Cold War at its most severe on its main frontline in Berlin. Their policy was formulated gradually, with easing tensions as its mid-term objective, and dismantling the military blocs and the reunification of Germany as the ultimate aim. Eastern neighbours and the Soviet Union, rather than Yugoslavia, were seen as its main targets, but the latter could not be completely neglected.[73] Its influence in the Third World (especially concerning the attitude of the non-aligned countries toward the GDR), numerous ties that survived the rupture of diplomatic relations, and American and other Western allies' encouragement to support Tito on the broader chessboard[74] of global politics made it necessary for the FRG to remove the biggest bone of contention from the bilateral relations.

For Yugoslavia, despite its role on the world stage and lofty moral protestations, the matter was quite prosaic: it was about the sorely needed money. Initially propelled by post-war reparations and then by the Cold War subsidies, the socialist economic model had run out of steam already by the late 1950s. The reforms intended to fix the system proved ineffective or, worse still, caused deeper crises. The economy needed infusions, and the accumulated foreign debts had to be paid. On the other hand, West Germany had risen from the ashes but in the eyes of much of the world still had moral and material debts from the Nazi past. Thus, it was logical that the Yugoslav top brass would once again reach for that source of money, which it had already successfully tapped into in the past. As before, the Nazi victims received nothing.

72 Janjetović, *Od Auschwitza do Brijuna*, 118–121, 135–136; Ivanović, *Jugoslavija i SR Nemačka*, 116–121.

73 Relations with Yugoslavia were also one of the credibility tests for Willy Brandt's Ostpolitik; Nećak, *"Ostpolitik,"* 150, 160, 178.

74 Nećak, *"Ostpolitik,"* 69, 119, 124; Dimić Lompar, "Podeljena Nemačka," 506–507.

Conclusion

The story of indemnification for the victims of Nazi persecution in Yugoslavia was part of a Europe-wide push to overcome the consequences of the Second World War. West Germany needed to restore its badly tarnished image, most importantly, in the eyes of its Western partners. So, the policy of indemnification for the Nazi victims, which emerged out of an internal necessity to help the victims of the Nazi regime in West Germany, soon transcended the borders of the Federal Republic. The Jewish state and organizations were the first to receive indemnification for the Holocaust. This was done in a bid to make peace with the main victims of National Socialism, but it was not long before the countries of Western and Central Europe also raised their claims. These could not be ignored as the FRG strove to anchor itself within the Western camp. On the other hand, within the context of the Cold War, Eastern European countries could be kept at bay for the time being, especially since their financial demands surpassed those of the Western countries several times over. However, the two superpowers, as well as France and Great Britain, sought to ease the tensions with the Soviet Union, which, having reached the balance of nuclear power, also had good reason to strive for peaceful coexistence from the early 1960s onwards. Thus, the threat of nuclear destruction made both parties willing to seek peace on the main battleground of the Cold War – Europe. Being in the centre of the conflict and the continent, West Germany could not stay behind for long. Its ossified policy toward Eastern Europe had to be given up, although this did not happen overnight. Apart from changes on the European stage, changes in West Germany had to ripen before the Neue Ostpolitk could be launched. Once it was started, the FRG needed to prove its peaceful intentions not only through international agreements but also by putting its money where its mouth was. In the process of building confidence and easing tensions, Yugoslavia, as a non-aligned country highly influential in the Third World, was an unavoidable stop on the way: not the main one, but certainly not the least important one. The gravest bilateral problems stemmed from the Second World War: indemnification for the Nazi victims and the activities of the anti-Yugoslav émigrés. Resolving these problems was decisive for overcoming the consequences of the war, but also for ensuring peaceful cooperation in the future. Indemnification was the thornier issue of the two due to its financial aspects. It was eventually resolved roughly along the lines suggested at the beginning: by indirect means that turned the two parties from looking backwards into the belligerent past to looking forward into a peaceful future. The viability of the peace policy model was proven in 1975 when Polish demands for indemnification were met in the same manner.[75] In that way, the solution of the indemnification problem was certainly a significant contribution to the détente. On the Yugoslav side, the money received on the head of indemnification for the

75 Schmidt, "Willy Brandts Ost- und Deutschlandpolitik," 213; Schoenborn, *Reconciliation Road*, 146; Goschler, *Schuld und Schulden*, 399–400.

Nazi victims enabled the regime to support its limping economy.[76] As would be seen in the late 1980s and early 1990s, when the Yugoslav economy eventually collapsed, the country itself broke up in bloody civil wars.[77] Unexpectedly, it turned out that investments in the Yugoslav economy inadvertently proved to be investments into peace in Europe.

Summary

The paper deals with the resolution of the problem of indemnification for the Nazi victims in Yugoslav-West German relations. The very institution of indemnification developed in Allied-occupied Germany after the Second World War, partly under Allied influence. It was translated into laws and practical policy. The beneficiaries were persons who had been persecuted on racial, ideological and religious grounds. In the early 1960s, the payments were extended to Western European countries as part of the efforts to restore West Germany's reputation among the Allies. Meanwhile, FRG broke off diplomatic relations with Yugoslavia due to its recognition of the GDR. They were reestablished in 1968, which eventually led to the resolution of the indemnification problem through favourable loans in 1972 and 1974. The solution was found within the broad context of the West German Ostpolitik and the Europe-wide trend toward a détente, which both superpowers, the US and the USSR, had pursued since 1962.

76 The oil crisis of 1973 was a hard blow for West Germany's economy, but Yugoslavia's economy was in much worse shape even before the world oil crisis hit its mining sector and heavy industry. Production and sales fell, money was lacking for imports of consumer goods and investments, plans were bad and execution shoddy, the trade deficit was large, and unemployment rose additionally due to the layoffs of guest workers in Western Europe; Calic, *Geschichte Jugoslawiens*, 255; Slobodan Selinić, *Jugoslavija i Zapad 1980–1983: Spoljni dug i unutrašnja kriza* (Beograd: INIS, 2024), 20–21. Foreign debt rose, on average, by 527 million dollars per year between 1970 and 1974; Selinić, *Jugoslavija i Zapad*, 27.

77 On the importance of the economy for Yugoslavia's survival cf. Michael Palairet, "The Inter-Regional Struggle for Resources and the Fall of Yugoslavia," in *State Collapse in South-Eastern Europe: New Perspectives on Yugoslavia's Disintegration,* eds. Lenard J. Cohen, Jasna Dragović Soso (West Lafayette: Purdue University Press, 2007), 221–248; Sabrina P. Ramet, *Balkan Babel: The Disintegration of Yugoslavia from the Death of Tito to the Fall of Milošević* (Boulder Col.: Westview Press, 2002), 28; Aleksandar Pavković, *Fragmentation of Yugoslavia: Nationalism and War in the Balkans* (London: Macmillan, 2000), 77–79. To be sure, economic difficulties were only one of the key elements that led to the bloody break-up of Yugoslavia. The other two main factors were nationalism (which fed on poverty and insecurity) and the collapse of the Eastern Bloc, which had made Yugoslavia irrelevant for the Western powers that had shored it up for so long.

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