

Answer

the Federal Government

**in response to the minor inquiry by Members of Parliament Ulla Jelpke, Jan van Aken, Eva Bulling-Schröter, other Members of Parliament and the Left Party parliamentary group.
– Printed matter 17/10277 –**

Granting of loans to Israel and the “business friend” affair in the 1960s

Preliminary remarks by the questioner

According to research conducted by journalist Gaby Weber at the Foreign Office, a transaction known as "Business Friend" took place in 1960. This involved a loan of 2 billion DM for Israel. However, only 630 million DM were actually disbursed. From the first payment tranche...
– actually – 100 million DM, but only 85 million DM went to Israel; according to the files, the remaining 15 million DM were used for "other purposes." These purposes are not specified in the files.

Furthermore, the files contain a reference to a planned moratorium on payments for the duration of the trial against the Nazi criminal Adolf Eichmann in Jerusalem.

According to journalist Gaby Weber, who also reported on this in Deutschlandfunk radio and in the recently published book "Eichmann was still needed", the funds granted as a loan were intended to be used for the production of nuclear weapons.

1. Was the loan of DM 2 billion promised to the State of Israel by the then Federal Government as part of the "Business Friend" campaign actually granted, and if so,
 - a) in which installments was the sum paid out,
 - b) during which period,
 - c) at what interest rate and
 - d) What was the loan term?

The then German Chancellor Konrad Adenauer and the then Israeli Prime Minister David Ben-Gurion had agreed in principle on a loan program to support the [unclear] in a meeting on March 14, 1960 in New York.

The German Foreign Office, the Federal Ministry for Economic Affairs and Energy, and the Federal Ministry of Finance, along with the Reconstruction Loan Corporation (KfW), discussed a "Special Development Aid Project" for infrastructure, urban development, and industrial investments to promote employment opportunities on May 2, 1961. A loan program totaling DM 2 billion was agreed upon, to be disbursed in ten annual installments of DM 200 million each. Due to the size of the sum and in consideration of foreign policy sensitivities, confidentiality was agreed upon. In the following years, the "Special Development Aid Project" was also referred to as "Operation Business Friend." After the establishment of diplomatic relations between Germany and Israel in 1965, the program was prematurely terminated and, from 1966 onward, transitioned into official bilateral cooperation.

The tranches, period, term and interest rate of the loan program are shown in the following table:

Year	Loan- amount in Million DM	Duration	Years of Free Time	interest rate in percent	Annual In total- amount in Million DM
1961	15	12	3	6	72.4
	57.4	16	4	4	
1962	24.6	12	4	5.75	122.6
	35	18	4	4	
	33.6	18	4	4	
	29.4	12	4	5.75	
1963	68.1	18	4	4	150
	29.2	12	4	5.75	
	36.89	16	4	3	
	15.81	8	4	5	
1964	52.5	16	4	3	149.8
	22.5	8	4	5	
	22.44	16	4	3	
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1965	52.5	16	4	3	150
	22.5	8	4	5	
	75				
total					644.8

2. Is it true that the Reconstruction Loan Corporation or other institutions paid out far less than DM 2 billion as a loan, and if so,
- How high was the actual loan granted?
 - How is this sum calculated?
 - on what business basis and during what period did the 630 million DM flow,

It is true that the Reconstruction Loan Corporation (KfW) disbursed less than DM 2 billion. Regarding the actual amount of the loan granted, please refer to the answer to question 1. This amount is calculated by adding up the individual loan tranches paid to Israel between 1961 and 1965. The sum of DM 630 million mentioned in question 2c is not supported by the records. The individual loans were made on the basis of contracts between the KfW and the Industrial Development Bank of Israel.

- d) What was the purpose of this payment, and was it, as stated in the files, a kind of “development aid” or a “commercial loan”,

These were development loans. 70 percent of the loans were infrastructure loans and 30 percent were loans for industrial development, each with varying maturities and interest rates. See the answer to question 1.

- e) What were the repayment terms?

Reference is made to the answer to question 1.

- f) Did Israel offer any guarantees, and if so, what were they?

The Industrial Development Bank of Israel had paid-in capital and reserves. Furthermore, the Israeli Ministry of Finance guaranteed the repayment of the capital and interest.

3. Is it true that the drafting of the “Operation Business Friend” was the responsibility of the private banker Hermann Josef Abs – who, during the Nazi regime, was responsible as a member of the board of Deutsche Bank for the “Aryanization” of Jewish companies?

No. According to the available files, Hermann Josef Abs merely recommended the implementation of such a program in a letter dated July 29, 1960, to the then Federal Chancellor Konrad Adenauer.

4. When were the members of the Federal Government and the German Bundestag informed about the “Business Friend” campaign?

The relevant ministries involved at the time—the Foreign Office, the Federal Ministry for Economic Affairs, the Federal Ministry of Finance, the Federal Ministry for Economic Cooperation and Development, and the Federal Chancellery—were regularly involved in the granting of loans to Israel. Due to the agreed confidentiality, only the leaders of the parliamentary groups and the members of the Budget Committee in the German Bundestag were informed about the granting of individual loan tranches.

5. What were the “other purposes” cited in the questioners’ preliminary remarks for which the aforementioned 15 million DM were spent?

In 1961, the Reconstruction Loan Corporation (Kreditanstalt für Wiederaufbau) provided 15 million DM as a loan from its own funds for a water project in Israel (“Mekoroth Project”).

6. Did any of the funds from the “Business Friend” campaign not flow to Israel, but to German individuals and parties, and if so, at whose instigation, to which parties and which group of people, and in what amounts?

The available files provide no indication of this.

7. Were there any follow-up loans to the "Business Friend" campaign, and if so, when and in what amount, and when was the German Bundestag informed about this?
8. How much development aid has been paid to Israel since the founding of the Federal Republic of Germany?
9. What is the total amount of loans granted to Israel since the founding of the Federal Republic of Germany?
10. To what extent have these loans been repaid (please express in absolute figures)?
11. Were loans granted to Israel without the German Bundestag being informed? If so, when and to what extent, and to what extent were these loans actually disbursed?
12. Were loans granted to Israel without a contractual basis, and if so, when and to what extent, and to what extent were these actually disbursed?

Questions 7 to 12 will be answered together due to their thematic connection.

As part of bilateral cooperation, Israel was granted Financial Cooperation (FC) from 1965 to 1997. The granting of FC loans from budget line 23 between 1965 and 1997 was carried out within the framework of confidential explanations submitted annually to the Budget Committee of the German Bundestag during budget deliberations. In total, Israel received FC funds amounting to €2.306 billion. Israel ceased to be classified as a developing country at the end of 1996 (list of the Development Committee of the Organisation for Economic Co-operation and Development, OECD-DAC).

Israel's payment obligations to Germany arising from claims by the FZ total approximately €336.26 million (as of June 30, 2012), which are due to be settled by December 2030. There are no outstanding payments, and Israel is meeting its obligations on time.

Furthermore, the expenditure of the departments is not reported broken down by country. Please also refer to the answers to questions 1, 2, and 4.

13. Why has the Federal Chancellery not released parts of its files on the payments from the "Business Friend" operation?

The Federal Chancellery has largely disclosed its files on the transaction mentioned in the question concerning the granting of a loan to the State of Israel. Individual documents relating to the transaction have not yet been released by their respective authors.

14. What were the reasons for the decision to suspend payments from the "Business Friend" operation until the end of the Eichmann trial?

The available files provide no evidence to support this.

15. How does the Federal Government assess the fact that, according to its own assessment at the time, the Federal Foreign Office could not rule out the possibility that nuclear weapons could be produced in Israel with German funds and with the support of German authorities (including the then Federal Ministry for Atomic Affairs) and German research institutions?

The files of the Federal Foreign Office concerning this matter are open to the public and can be viewed in the Political Archive of the Federal Foreign Office. The available files provide no basis for the assessment cited in the question from the perspective of the Federal Government. The files merely show that the then Political Department of the Federal Foreign Office recorded in a document dated September 27, 1965, that it was not within its purview to assess how, in the event of potential German support for a nuclear-based seawater desalination plant project, it could be prevented that such support would be used for military purposes. The available files contain no indication that such project funding was subsequently granted.

16. How much military aid has been granted to Israel since the founding of the Federal Republic of Germany (please break down by year), and what was the monetary equivalent in the case of material deliveries?

Military training assistance (generally provided without reimbursement of costs) for Israeli soldiers was conducted from 1983 to 2011. A total of 147 Israeli soldiers participated in this training assistance in Germany. No military training assistance (MAH) for Israeli soldiers is currently planned for 2012 and 2013. Broken down by year, the following MAH measures were undertaken by Israel in Germany:

Year	Number of MAH measures
1983	1
1984	2
1985	1
1986	1
1987	1
1988	1
1989	3
1990	39
1993	1
1996	53
1998	29
2001	9
2009	5
2011	1
In total	147

Data collection on state transfers, loans, and donations of weapons of war within the purview of the Federal Ministry of Defense only began in 1999, so no data is available for the years prior to 1999.

Evaluation can be carried out. Due to the sensitivity of the data, reference is also made to the appendix, which is classified as "VS-Nur für den Dienstgebrauch" (Restricted - For Official Use Only) and not intended for publication as a Bundestag printed matter.*

17. Similar to the Dolphin submarines, did Germany waive payment in whole or in part for German armaments acquired from Israel, or grant significant payment relief (deferrals, etc.), and if so, on what occasions and in what amounts?

The German Federal Government contributed approximately DM 173.7 million to the procurement of a Patriot air defense system in 1991. Furthermore, the Federal Government contributed DM 1.1 billion to the costs of the first three Dolphin-class submarines and €333 million to the costs of the fourth and fifth submarines. The Federal Government is contributing up to €135 million to the construction of a sixth submarine.

* The Foreign Office has classified the document as "VS-Nur für den Dienstgebrauch" (VS-For Official Use Only).
The document is deposited in the classified information office of the German Bundestag and can be viewed there in accordance with the classified information regulations.

