

production, which in any event in all the defeated countries is likely during the period of reparation payments to be far below the normal level. Obviously, however, reparation liabilities cannot be discharged exclusively by the transfer of capital equipment unless an adequate volume of such equipment is in fact available. This condition is satisfied only imperfectly in the case of Italy, and even less so in the smaller ex-enemy States, and there had therefore already, before the Conference, been a recognition of the principle of deliveries from current production, under conditions determined by bilateral negotiations between the directly interested parties. In the Roumanian treaty, for example, it was provided that reparations should be "payable over eight years . . . in commodities (oil-products, grain, timber, sea-going and river craft, sundry machinery, &c.)," and similar provisions occurred elsewhere in the other treaties.

The wide application of this principle opened the way for an integration in the U.S.S.R. economy of the economies of the countries paying reparations, the effects of which would probably be felt long after the period of reparation payments was past, an integration possibly so close as in effect to exclude the rest of the world. Some protection, the practical significance of which can be tested only by experience, was afforded in the case of Italy by a provision that deliveries should be arranged "in such a way as to avoid interference with the economic reconstruction of Italy and the imposition of additional liabilities on other Allied and Associated Powers," as well as by the provision that "Deliveries from current industrial production shall not be made during the first two years." It was later proposed by the United States, France, and the U.S.S.R. to modify the latter provision to the extent of permitting deliveries from current production if "made in accordance with agreements between the Italian Government and a beneficiary Government." The United Kingdom opposed this proposal, but as it was possible that its rejection might unduly prejudice the legitimate interests of the smaller beneficiaries of reparations, and in any event the power to veto such deliveries rested with the Italian Government, which might be expected to maintain a position of relative independence *vis-a-vis* the U.S.S.R., the New Zealand delegation voted in this case with the United States and France.

II. RESTORATION OF UNITED NATIONS PROPERTY IN EX-ENEMY TERRITORY

The discussion of the principle of restoring United Nations property which is still intact covered some special cases of peculiar interest to the countries directly concerned, but raised no problem of general interest and therefore calls for no further comment here.