

III. COMPENSATION FOR WAR DAMAGE

The treatment of United Nations property in ex-enemy states which had been destroyed or damaged during the war raised much more fundamental issues on which the Commissions were sharply divided. The United Kingdom pressed strongly for 100 per cent. compensation, payable in local currency, maintaining not only that this principle was just, but also that its application would accelerate internal economic reconstruction; the costs of such compensation were therefore, in the United Kingdom view, clearly differentiated from reparation burdens, which by their nature involved a loss of wealth by the paying country. The United Kingdom preoccupation with this issue was, it became clear, and naturally enough, closely tied up with its concern over its post-war balance of payments, and it was no doubt worth while pressing this point upon the attention of delegations, not all of whom so clearly understood that it was not merely or even mainly a question of protecting the personal incomes of private shareholders, but much more one of conserving or reconstituting the foreign exchange reserves necessary if British imports were to be maintained at a satisfactory level. The U.S.S.R., on the other hand, with little or no direct interest in the reconstitution of any assets owned by itself in ex-enemy countries, tended to minimize the importance of the distinction between reparations and compensation for damages, contrasted the fractional compensation which was the most that could be expected from reparations by the inhabitants of devastated Ukrainian villages with the total compensation demanded for United Nations property-owners who happened to have investments in ex-enemy States, and stressed the excessive burden, involving serious risks of inflation, which the payment of total compensation would place upon the ex-enemy countries.

The United States and France had originally associated themselves with the United Kingdom claim for full compensation. But though the United States delegation was specially active in its efforts to deflate the "excessive burden" argument by attempting to show that, especially in the case of Roumania, even the most liberal estimate of the budgetary burden of full compensation (probably no more than \$70 million) gave a figure quite trifling as compared with the cost of Soviet occupation and other burdens on the Roumanian budget incidental to the collection of reparations (which, it was estimated, might be as high as \$2,000 million), both the United States and the French delegations eventually abandoned their earlier position, and declared for partial compensation. The United States interpretation of "partial" compensation was not disclosed until the conclusion of a long debate on this problem, and was then announced as 25 per cent., a figure which it was easy to interpret as an attempt to undercut the U.S.S.R. figure which, up to that time, had been supposed to be $33\frac{1}{3}$ per cent. The U.S.S.R. delegation then explained that "to the extent of one-third,"