

2. EUROPEAN RECOVERY AND "WESTERN UNION"

The war, and the forces which it released all over the world, damaged the entire fabric of Europe's economy and rocked the basis of the social and political life of its people. Recognizing that the well-being and security of New Zealand is directly bound up with that of the United Kingdom and some countries of Western Europe, and through them with Europe as a whole, the Government have made clear the importance which they attach to the recovery of Europe. The detailed plans and actions, moreover, by which this recovery will be brought about inevitably affect New Zealand's life and economy. The Department therefore set under way, in some cases in association with other Departments, the assessment of the political, economic, and military implications for this country, individually and as a member of the British Commonwealth, of the important proposals and arrangements for European recovery which have been initiated during the year. Close consultation on all these matters is secured through the agency of the United Kingdom Government and the office of the New Zealand High Commissioner at London.

Chief attention has come to be directed upon the Brussels Treaty of March, 1948, within whose framework the United Kingdom, France, Belgium, the Netherlands, and Luxembourg will co-operate in meeting their common economic, social, cultural, and security problems; the so-called Marshall Plan and the Organization for European Economic Co-operation which is the sixteen-Power body set up to organize American aid to Europe and, in pursuance of the American condition that aid should be accompanied by joint efforts of the sixteen to help themselves, to consider co-operation in production, trade, and finance; the proposals for a Western European Customs Union which, though only a very long-term possibility and not necessarily a part of economic co-operation, have far-reaching implications; and the Economic Commission for Europe, a United Nations body, which embraces countries of both Eastern and Western Europe, and has, through its technical committees dealing with commodities, industries, transport, &c., already made a practical contribution to joint economic planning.

3. GERMAN AND AUSTRIAN SETTLEMENTS

At the time of publication of the last departmental report it was expected that Allied Governments would before long be associated with the Big Four in the study of problems relating to the German settlement. Unfortunately, as the result of the breakdown in December, 1947, of the London meeting of the Council of Foreign