

Ministers, this expectation was not realized. Subsequent discussions held in London in February and March of this year between countries of the Benelux group and the United States, the United Kingdom, and France (the powers in occupation of Western Germany) have, however, led to considerable agreement upon important aspects of the German problem. It is a likely outcome of the discussions that a Germany of the Western Zones will be called upon to draft a federal constitution, and that a Western German government may subsequently come into existence. It has been suggested, too, that the occupying Powers will seek to conclude with the German authorities an agreement which will define their respective spheres of responsibility.

Such possibilities are not without importance for New Zealand, whose consistent policy has been that the final terms of the peace settlement with Germany should be decided by a conference of all Allied belligerents. The degree to which the projected arrangements for Western Germany may anticipate and predetermine arrangements which should properly be the concern of the peace conference is accordingly being studied. Continuing interest is also being maintained in the long-drawn negotiations among Deputies of the Foreign Ministers concerning a peace treaty with Austria. Though this is to be concluded, if possible, by the four Great Powers alone, the New Zealand Government will be invited, if they see fit, to accede to the settlement and accordingly have an interest in its terms. The Department has given especial attention to the security problem implicit in proposals that use and development of the productive capacity of Western Germany should be an essential part of the "Marshall Plan" for Western European economic recovery.

4. REPARATIONS CONFERENCE

Failure of the Council of Foreign Ministers to agree concerning reparations from Germany was the cause of dissatisfaction among certain members of the Inter-Allied Reparations Agency in Brussels, which allocates industrial reparations among eighteen allied countries, including New Zealand. In February of this year an invitation was issued by the Yugoslav Government to a conference on reparations to be held among all members of the Reparations Agency except Greece and the three Powers occupying the Western Zone of Germany. The New Zealand Government replied that they were unable to accept. They did not, they said, share the view (expressed in the Yugoslav invitation) that responsibility for failure of the German reparations programme rested on the three Powers occupying the Western Zones of Germany, and stated, moreover that if the