

reparations problem was to be considered seriously by a more broadly constituted body than the Council of Foreign Ministers, the essential first step should be the calling of a conference of all Allied belligerents.

The Department has continued to provide a channel for communications with the New Zealand representative on the Inter-Allied Reparations Agency in Brussels, the organization responsible for the allocation of German industrial equipment as reparations. Final reparations have not yet been decided, but a small motor-ship and some valuable machinery have already been received in New Zealand, and delivery is expected of heavy cotton materials to the value of about £1,000,000.

5. PEACE SETTLEMENTS WITH ITALY, ROUMANIA, BULGARIA, HUNGARY, AND FINLAND

Though the peace treaties with the ex-satellite countries became effective only in September, 1947, important problems have already arisen concerning their terms and implementation.

(a) Trieste and Treaty Revision

At the September meeting of the United Nations General Assembly the New Zealand delegate was instructed to vote against an Argentine proposal (subsequently withdrawn) that the treaty with Italy should be revised, since it was held that to call the peace treaties in question within a few months of their ratification would endanger the international order which they were intended to establish.

On 20 March, 1948, the United Kingdom, United States, and French Governments announced that they considered that the clauses of the Italian Treaty establishing Trieste as a free territory under United Nations rule had become unworkable owing to Yugoslav obstructiveness and to the failure of the Security Council to agree upon the selection of a Governor for Trieste. The three Powers proposed, therefore, that Trieste be returned to Italy, and have since invited the Soviet Government to take part in a conference for the purpose of drafting an appropriate protocol. This the Soviet Government have so far refused to do.

The proposal is considered by the New Zealand Government to be of great importance because it formally initiates revision of the peace structure and, if persevered with, may well have considerable influence upon international relationships in Europe and among the Allied countries.