

possible future aggression. Since both these developments have direct, and possibly serious, implications for New Zealand, they have been followed with the closest interest, and the position of the New Zealand Government in relation to them has, on several occasions, been expressed by the Prime Minister.

2. GERMANY AND AUSTRIA

The most spectacular and potentially dangerous manifestation of the rift between European countries within the period under review was the Berlin crisis, which, after passing through the successive stages of discussion by the Allied Military Governors in Berlin, discussion on the diplomatic level in Moscow, reference to the Security Council, and examination by a Committee of Financial Experts of the United Nations, appeared to be no nearer solution than when it first began following the introduction by the Western occupying Powers of a new currency into the Western Zones of Germany. The positions adopted by the Powers concerned were clear cut and, apparently, irreconcilable. The Soviet Government contended that the restrictions which they had placed on movement by the Western Allies to and from Berlin should be lifted only after new currency arrangements for the city had been agreed and an undertaking had been given by the Western Powers to discuss the problem of Germany. The Western Powers, although expressing their willingness to discuss the German problem in all its aspects, demanded that the prelude to a conference for this purpose must be the lifting of the restrictions imposed by the Soviet Government. As the result of this fundamental difference between the Great Powers it was necessary to administer Berlin as two virtually separate entities, the western sectors of the city being maintained only with great difficulty and at great expense by means of an air lift sustained for the most part by the Air Forces of the United States and the United Kingdom. In the first days of the crisis the Prime Minister (Mr Fraser) made it clear that the New Zealand Government supported the stand of the three Western Powers and, as a tangible demonstration of New Zealand's attitude, air crews sent for the purpose from New Zealand have participated in the air lift from its earliest stages.

The situation in Berlin presents, in its most concentrated form, the basic conflict of ideas held by the four Great Powers concerning the future of Germany. The crisis might indeed at any time have been resolved at once if the Western Powers had been prepared to agree to four-Power control of the Ruhr and to accept the Soviet conception of a highly centralized German Government which would be bound to pay heavy reparations to the Soviet Union.