

The three Western Powers have, however, in the past year continued to apply to the zones of Western Germany plans which they hoped would ultimately extend to the whole country. In recent months most of the arrangements which will govern the future life of Western Germany have been brought near to completion. It has been agreed that, until the German people themselves have decided whether the final form of ownership should be public or private, custody of the assets of the Ruhr coal and steel industries should be transferred to German trustees. Agreement has been reached upon a statute outlining the authority and responsibilities of the international Board which is ultimately to control the Ruhr in the interests of the Allies. It has been agreed also that a Military Security Board will be formed to prevent the revival of Germany's military strength. Moreover, representatives of the eleven States of Western Germany have been engaged for several months in drafting a basic law (or constitution) which will provide the legal framework for a Federal Western German State. (Since the termination of the period under review the constitution has been approved by the three Western Military Commanders, who have also agreed upon an Occupation Statute delimiting the powers they will retain in the future.)

In the present state of tension in Germany it appears rather unlikely that, in the near future, countries other than the Great Powers will have the opportunity of participating directly in an examination of the German problem. The possibilities cannot be dismissed, however, either that, following the successful establishment of a Western German State, an attempt may be made to conclude a settlement with that Government, or that the Soviet Government may be induced to seek a Big Four settlement applicable to the whole of Germany which would ultimately be submitted for consideration at a full-scale Peace Conference. The Department has therefore continued to give special attention to the conditions which, it is in the interests of the New Zealand Government to ensure, should be incorporated in a final treaty with Germany. Interest has also been maintained in the renewed, and as yet unsuccessful, efforts of the Deputies of the Council of Foreign Ministers to reach agreement on the clauses of the treaty with Austria relating to Yugoslavia's territorial claims against Carinthia, and the Soviet demands for German assets in Austria.

3. WESTERN UNION AND THE ATLANTIC PACT

Partly as an outcome of the failure of the Big Four to find a common basis for agreement on Germany and of the ensuing deterioration in relations among them, the Western Powers have recognized, with particular urgency, their need to organize effectively