

In the opinion of my Ministers the existence of the ANZUS Treaty is a vital source of strength for New Zealand and Australia and for the Commonwealth as a whole. The policy of my Government will therefore be to ensure that the organization established under the Treaty continues to be effective.

I recall with satisfaction that since I last addressed you one of the objectives of the United Nations in Korea has been attained by the conclusion of an armistice agreement on terms which entirely accord with United Nations principles. The armistice remains in full force and effect, but no substantial progress has, I regret to say, yet been made towards the further objective of a political settlement in Korea.

Recent developments in Indo-China and South-east Asia give rise to grave concern for the safety of the free world, and the position is being studied most carefully by my Ministers. Because of the importance of the problems involved, my Government deemed it necessary that New Zealand should be represented by the Minister of External Affairs at the Political Conference in Geneva. Though the discussions there have proved disappointing because of the attitude of the Communist powers, my Ministers still maintain the hope that, by the exercise of patience, a speedy and honourable conclusion to the conflict in Indo-China can be achieved.

Fully recognizing the prime importance of the South-east Asian area to the security of New Zealand, my Government has welcomed the proposals recently made by the United Kingdom and the United States for the examination of the possibility of establishing a collective defence arrangement within the framework of the United Nations Charter to ensure the peace, security, and freedom of South-east Asia and the Western Pacific.

My Government continues to maintain its interest in developments in the Middle East, a strategic area of vital importance to Commonwealth security. Hostile relations between Israel and the Arab States have been a matter of special concern, and my Government has, through its representative on the Security Council, supported policies and procedures designed to reduce the existing tension.

Though there appear to be grounds for hope that international tension shows signs of easing, my Advisers do not regard the world situation, and particularly the position in South-east Asia, as allowing any relaxation in the defence measures we have had to adopt in the interests of our physical security and in pursuance of our international obligations. Our military force is still serving in Korea and, on present indications, must remain there for some time yet. However, our naval units have been able to resume periodic visits to our outlying dependencies in the Pacific. Steady progress has been made in the build-up and training of our land forces. Our Air Force carried out a most important transport and escort mission in connection with Her Majesty's recent tour of New Zealand and Fiji. In addition, escort duties were performed by our Squadron in Cyprus while the Royal Yacht *Britannia* was in the Mediterranean.

In the economic field my Government is gratified to record that the sterling area has experienced a good trading year and that the gold and dollar reserves of the area have substantially increased.

In January New Zealand was represented by my Associate Minister of Finance at a Conference of Commonwealth Finance Ministers, when, after very useful discussions, the objectives laid down at previous conferences of strengthening the position of sterling and establishing a wider and freer system of trade and payments were reaffirmed. My Advisers are pursuing policies designed to ensure that New Zealand plays a full part in the attainment of these objectives.

Although New Zealand is engaged in a large capital development programme of her own, my Government is aware of the problems facing the less-developed countries of the world, and of the need to assist them in raising the living standards of their peoples. Accordingly,