

In March last, my Prime Minister attended a meeting of the SEATO Council of Ministers in Manila and a session of the Economic Commission for Asia and the Far East at Kuala Lumpur. Subsequent visits to Delhi, Karachi, Colombo, Singapore, Hong Kong, and Bangkok enabled first-hand and valuable contact to be made with the political leaders of countries whose importance to New Zealand becomes daily more evident, and afforded an opportunity for discussion with these leaders on world problems.

My Government continues to give its fullest support to the Colombo Plan. While in present circumstances an increase in New Zealand's contribution is unlikely to be practicable, my Ministers hope to maintain New Zealand's participation at a useful and progressive level.

In collaboration with other members of the British Commonwealth, units of the New Zealand Forces make a realistic contribution to the peace and stability of the South-East Asian area. My Government will take an early opportunity of placing before you a White Paper setting out plans whereby our Armed Services will be able more effectively to meet New Zealand's obligations and commitments.

Our Naval and Air Forces, together with the New Zealand team under Sir Edmund Hillary, played a significant part in the operations that concluded with the epic crossing of the Antarctic continent by Sir Vivian Fuchs and his party. It must be the immediate concern of us all that this vast area, for a sector of which New Zealand is responsible, should not be the scene of unfortunate international rivalries or be used for other than peaceful purposes. My Ministers have therefore welcomed a recent United States proposal for the conclusion of a treaty among the interested powers which would safeguard this objective and have the full approval of the United Nations. My Ministers are arranging for the continued occupation of Scott Base and for a further programme of scientific investigation and survey in the Ross Dependency.

My Government has followed with close interest the negotiations leading to the establishment of a European Economic Community and the setting up of a European Free Trade Area. New Zealand is of course concerned that such institutions, especially those affecting agriculture, should have a liberal and outward-looking character and encourage the orderly expansion of international trade.

New Zealand's own external trading position is a source of the gravest concern to my Ministers. The critical factors which developed during the latter half of 1957 were the continued fall in the prices obtained from our exports, and increases, both in volume and cost, of imports. These divergent trends led to a situation where payments during the year for imports and for other services exceeded our earnings of overseas exchange by a considerable margin and a corresponding drop of about 40 per cent in our reserves. It was clear that the country could no longer afford such a high level of overseas purchases, and import and exchange control was introduced as from 1 January.

The immediate prospect for our exports continues to cause concern. The continued fall in the prices of our dairy produce, which has arisen in large part from the additional quantities sent to the United Kingdom by countries who have not been traditional suppliers to that market, was sufficiently serious to warrant discussions between my Minister of Agriculture and the United Kingdom authorities. A general examination of the 1932 Ottawa Agreement and of its effects on present-day trade between New Zealand and the United Kingdom is now taking place in London. It is as yet too early to assess the practical outcome of these exchanges and my Ministers are persisting in their efforts to seek a satisfactory resolution of the overall problem. However, it seems inevitable that, even with the current restrictions on imports, this year will again see a substantial deficit in our trading position.

My Ministers are convinced that in spite of the serious difficulties I have mentioned the economy of New Zealand remains basically strong. Production from both farms and factories continues at a