

In Laos, the protracted failure to reach a political settlement under which, within a framework of neutrality, the Laotian people may work out their own destiny has greatly concerned my Government. In view of the threat to the security of Thailand, and at the invitation of the Thai Government, New Zealand has joined her SEATO Allies in the dispatch there of armed forces.

The dispute over West New Guinea, between two countries towards which New Zealand is friendly, has reached a critical stage. My Ministers earnestly hope for a peaceful settlement which will take account of the legitimate interests of the territory's inhabitants.

The United Nations sustained tragic loss in the death of its devoted Secretary-General, Mr Hammarskjöld. New Zealand has fulfilled all its responsibilities to the Organisation and has subscribed one million dollars to the United Nations bond issue.

My Government regrets the absence of positive progress in the Geneva Disarmament Conference. As a first step it considers an effective international agreement banning nuclear tests to be essential.

My Ministers favour a negotiated settlement of the Berlin situation which would safeguard the freedom of the people of West Berlin and secure Allied rights of access to the city.

HMNZS *Taranaki*, which arrived in New Zealand in October, is now serving on the Far East Station. The Long-range Transport Squadron of the Royal New Zealand Air Force provided the airlift between New Zealand and Singapore when the First Battalion of the New Zealand Regiment relieved the Second Battalion in Malaya. The first intake of National Servicemen last month marked the initial step in the build-up of the Territorial Force to its full strength of 10,000 men over the next three years.

In the field of the national economy, progress has been made in restoring balance, despite the persistence of unfavourable prices for exports which, for two years in succession, resulted in a reduction in New Zealand's export income. As a consequence of policies of restraint which have operated over a wide field, the pressure of excess demand has abated. There has also been a significant reduction in the level of imports and a welcome rise in the reserves of foreign exchange during the first half of this year.

To cushion the impact of the fall in export income, two overseas loans were raised in 1961 and another in May this year. While recognising the longer term need to adjust overseas spending to the level of overseas earnings my Ministers are determined to avoid, where possible, abrupt restrictive action which would react sharply and with damaging effect on all sections of the community.

In both farming and manufacturing, production has been at high levels and full employment has been well maintained. Within the policy of providing foreign exchange for the import of all essential goods, priority will continue to be given to equipment and raw materials for the primary and secondary industries. The extension of the no-remittance import licence scheme to commercial imports for the 1962-63 licensing period will provide more goods and at the same time increase overseas exchange reserves.

The public accounts for the past year resulted in a small surplus after taking into account the proceeds of external borrowing and providing for payment of New Zealand's subscriptions to the International Monetary Fund and World Bank. Estimates of expenditure for the current year will be submitted to you as soon as possible.

The report of the Committee on Simplification of the Public Accounts will receive the close attention of my Ministers as soon as it is available.

As a developing country, New Zealand has a continuing need for capital, to which a planned programme of external borrowing can make a valuable contribution. Membership of the World Bank has provided an important additional source of long-term capital while the readiness of the International Monetary Fund to make short-term advances is of special value to a country subject to sharp fluctuations in export income.