

Cook Islands, Niue, and the Tokelau Islands. It will give full support to efforts to strengthen the South Pacific Commission as an instrument for regional co-operation and the assistance to the new regional University of the South Pacific in Fiji will be maintained.

It gave me particular pleasure to welcome my Prime Minister along with other Commonwealth leaders when they held their meeting in London in January 1969. This was a memorable occasion coming at the end of a decade that has been a significant period in the evolution of the Commonwealth. The membership of the Commonwealth now represents some quarter of the world's population. My Ministers believe the potential of the Commonwealth as an instrument for good will, mutual respect, understanding, and accommodation in the international community is yet to be fully explored. Throughout its history it has remained faithful to the characteristics that make it unique: a group of nations, associated by their free choice and welded together through a common heritage and through a profound belief in certain fundamental values. At the same time it has consistently demonstrated its capacity for renewal and growth to meet changing circumstances. The vitality of the Commonwealth concept is amply reflected in the large and growing number of organisations that bring together professional people, administrators, and private individuals throughout the Commonwealth. My Government looks forward to the continuing extension of areas of practical co-operation.

Honourable Members, over the last 2 years the balance of payments situation has been greatly strengthened and this is reflected in the record current account surpluses of recent months. The recovery from the external payments problems faced in 1967 and 1968 has been assisted by the rapid growth of overseas exchange receipts both for traditional exports and for new products from New Zealand's increasingly diversified economy.

There has been a rapid recovery in domestic output and incomes. Recently however the rate of increase of expenditure has been causing some concern to my Government. Evidence that this rate of acceleration is too fast can be found in the unsatisfied demand for labour and in the increasing pressure on costs and prices. My Ministers believe that while fluctuations in the level of activity within the economy are inevitable it is necessary to ensure that they are kept under control. Without such control the conditions favourable to balanced economic growth may be replaced by an inflationary situation in which an efficient and internationally competitive economy cannot flourish. My Government is determined that the progress made in recent years to strengthen the economy will be maintained and its decisions in the field of economic policy will be made with this basic consideration in mind.

My Ministers intend to make further progress in implementing the major long-term economic policies formulated by the National Development Conference. A fundamental objective is the further diversification of the New Zealand economy. The dairy industry beef scheme was introduced by my Minister of Agriculture last year to encourage the greater production of beef, for which there is a growing export market, at the expense of milk production, of which there is a world surplus. My Ministers are confident that the proven capacity of the New Zealand farmer to respond to the changing requirements of international markets will ensure that agriculture will continue to play a major role in the New Zealand economy.

Industrial development has made further significant progress during the past year. The foundations of a great new industry are being laid with the production of steel billets from New Zealand ironsand. In