

have taken action to limit the expansion of credit in the economy. They have also taken steps to restrict the rate of growth in Government expenditure in the coming financial year.

In existing world conditions my Government recognises that measures of fiscal and monetary policy will not be sufficient to halt the wage-price spiral and that more direct action is now required. To restrain prices a price freeze was introduced and this has been followed by a scheme of price justification. Measures are now proposed to stabilise wage rates. My Government has placed the highest priority on employers and employees agreeing voluntarily to a programme which would ensure greater economic stability in the current year. My Ministers have consulted at some length with both parties to facilitate an agreement. Substantial progress was made in these consultations but my Government has concluded that the situation requires further action. Legislation will therefore be introduced early in the Session to give effect to the stabilisation measures already announced by my Minister of Labour. The objective of these measures is to limit increases in remuneration on average to less than 7 percent in the year from 1 January 1971. It is my Government's hope that employers and employees will be able to reach agreement on new rates of remuneration within this guideline. In respect of increases in excess of the guideline the parties will be expected to apply to a Remuneration Authority. The proposed legislation will include provisions which would make it an offence to increase remuneration above 7 percent, or such other percentage as may be fixed from time to time by Order in Council, except in defined special circumstances or with the approval of the Remuneration Authority. These latter provisions would be brought into force only if it became clear that my Government's stabilisation objectives would not be achieved by voluntary acceptance of the approved guideline.

It is the view of my Ministers that this legislation is necessary to deal with the exceptional situation that prevails. It is their intention to keep the legislation under review in the light of changing circumstances.

My Government intends to apply the principles of the legislation to the State Services and is discussing their application with the State Service staff organisations.

Honourable Members, throughout the past year New Zealand's foreign exchange resources have been maintained at satisfactory levels. The current account of overseas transactions for the last 12 months has recorded a deficit but this has been more than offset by an inflow of private capital. The terms of trade have continued to deteriorate as, overall, the prices of New Zealand's main exports have remained stable whilst prices for imports have continued to rise relatively quickly. Leaving aside the special situation that existed during the Second World War the terms of trade are at their lowest level since the world depression of the thirties.

My Ministers believe that this deterioration in the terms of trade is a direct result of the failure of the nations of the world to abide by accepted principles of international trade especially those embodied in the General Agreement on Tariffs and Trade. While trade in industrial products is conducted relatively freely, international trade in agricultural products is subject to barriers and restrictions which unfairly impede the economic development of those countries dependent on the export of primary products. My Government will continue to place emphasis on bilateral and multilateral negotiations aimed at eliminating these barriers and on moves to widen international arrangements for the orderly marketing of primary products.