

meat and most other primary exports. At the same time, inflation in the industrial countries continues to increase the prices New Zealand must pay for essential imports. This deterioration in the terms of trade has reduced the real income of the community. Activity is being maintained only by using our international reserves and replenishing these by heavy overseas borrowing; however, the present level of borrowing cannot be sustained.

The Government will be pursuing policies designed to adjust the economy while we improve our trading position. The present situation requires a reduction in expenditure on imported goods to help offset our lower export earnings. In the coming year wage and fiscal policies will be important in not only determining levels of remuneration but also in spreading the burden of adjustment throughout the community. The Government will shortly outline further steps it intends to take and will continue to seek the co-operation of all in these troubled times.

The policies of the Government will be designed to meet the challenges ahead in an equitable manner as well as enabling all New Zealanders to lead full and satisfying lives. These twin objectives can be attained only by having faith in New Zealand's future, by working together and by avoiding self-indulgence and wasteful and divisive practices—in short, by exercising restraint and commonsense.

Every New Zealander should be able to enjoy a just, humane, and culturally rich society to which all sections of the community contribute in security, freedom and dignity. Provision for the highest possible level of employment and an acceptable standard of living for all our people continues to be the goal of the Government.

New Zealand cannot live in isolation. Its well-being depends greatly upon the achievement of a sane and fair international order. The Government, following its own independent judgment and in co-operation with others, will work for an international community which enables all peoples to achieve their reasonable aspirations. New Zealand will continue to support a more effective role for the United Nations. It will continue to seek and promote a treaty to ban all nuclear tests and for other measures to control and eventually eliminate weapons of mass destruction. It will pursue its attempt to secure agreement on establishing the South Pacific as a nuclear-free zone.

The Government reaffirms its belief in the need for well trained and effective armed forces able to help the civil community—whether in New Zealand or overseas—and to contribute to United Nations peace-keeping operations.

As a Pacific nation, New Zealand must accord priority to its immediate neighbourhood. The Government will continue to give special attention to the needs and aspirations of the island peoples of the South Pacific. It is ready, in partnership with their Governments, to embark upon further initiatives to strengthen regional co-operation in transport, trade, industrial development and other fields.

New Zealand will seek new and wider areas for co-operation with its Asian neighbours. It aims to establish a firm basis for political and economic consultation.

In its determination to seek out new relationships in every part of our changing world, the Government has established improved links with