

The Government therefore adopted expansionary policies from October 1977. In last year's Budget several stimulatory measures were introduced including a major restructuring of the tax scale, which increased taxpayers' disposable income, and specific measures to assist the agricultural sector. An important aim has been to increase employment opportunities. In addition the Government has made special work available and provided assistance to both local authorities and private employers to take on extra workers.

However the increase in domestic activity resulted in a growing fiscal deficit which led to a risk of rapid monetary growth and consequent inflation. To meet that risk, the Government has followed a policy of active participation in the money market. The Government intends to continue to follow an active policy designed to moderate as much as possible the fluctuations in monetary growth.

The Government, having raised the level of economic activity, considers that a less expansionary policy is now more appropriate.

At the time when free wage bargaining was introduced it was intended that the wage round would focus mainly on relativities which had over several years become severely compressed. As a result wage earners received substantial settlements and the Government now expects that settlements negotiated between employers and unions will be more moderate.

In order to reduce expenditure the Government has had to re-assess and re-arrange its own capital works programme in order to ensure that only essential needs are met. Priority has been given to those programmes which have an export potential, the capacity to help reduce the level of unemployment, and reduce the demand for imports. These policies will continue but it is not possible for the Government to compensate fully for the decline in private sector capital investment.

Stimulating export growth is recognised as a first priority if long-term unemployment is to be avoided. The Government has given a clear lead. A schedule of growth opportunities will be published. It is now over to the business community to undertake the necessary investment in export production to ensure the long-term growth which this country needs.

Following the success of last year's teams which studied European markets for horticultural products and the United States market for apparel, export opportunity teams are planned for industry groups that show the best prospects of export development.

A White Paper will be tabled detailing the outcome of the GATT Multilateral Trade Negotiations. The Government will be giving particular attention to strengthening trade relations with countries in the North Asian, Middle East, and Eastern European regions. It will strengthen its trade representations elsewhere. It is expected that the existing bilateral trade relations with Pacific Forum and ASEAN countries will be expanded.