

increases. Such an agreement would allow an easing of labour costs to employers, leading to a moderation of price inflation. Considerable progress has been made in clarifying some of the contentious issues involved, and it is the Government's hope that such a wage/tax trade-off can be implemented this year in the context of the free wage bargaining which has been enjoyed since 1978.

There were also some disappointing aspects to 1981 which need to be redressed. Inflation and unemployment remain at unacceptably high levels and the overseas deficit has worsened. Adjustment measures, however, can seldom be made without some sacrifice by sectors of the community. Domestic inflation must be reduced and New Zealand's international competitiveness improved. Restraint will be required by wage and salary earners, employers, and the Government alike.

The Government, for its part, is examining ways of slowing the growth of Government expenditure, improving efficiency within the public sector, and reducing the budget deficit. The Government has established a task force to review the taxation regime and Ministers will be studying closely the outcome of that review.

It is the Government's goal to improve the functioning of the economy so that it can produce more from the resources available to the nation. An important part of that process is the reduction of barriers that inhibit the movement of resources from uncompetitive, low yielding activities to those which make the most efficient use of available labour, materials, and capital, and produce a high rather than low social return.

The Government has continued to change gradually the form and level of protection afforded to local producers so as to promote a more cost-conscious attitude and to reduce the wide disparities in levels of assistance offered to different industries. These policies are aimed at increasing the ability of local producers to compete on international markets by reducing the costs of their inputs.

A closer economic relationship with Australia will complement these changes and promote a more efficient pattern of trade between the two countries. The agreement proposed would provide New Zealand exporters with assured long-term access to this largest export market for New Zealand manufactured goods.