

proportion of the present restrictions is solely for the purpose of reducing imports to the level of our ability to pay for them. These economy restrictions are temporary, and will be relaxed as the need for them passes. The essential point is that they are quite apart from the Government's proposals for developing selected industries in New Zealand. We have a large export trade which it is desirable should be extended as much as possible, and over and above external debt charges we must exchange our exports for imports. We want all the imports we can afford in addition to maximum production in our own factories to raise the standard of living. This objective also renders it imperative to select for development—firstly, industries that can produce goods that we require at a competitive price, and, secondly, those from which we obtain the greatest net advantage having regard to production costs and the necessity for finding employment for many thousands of our people in productive industry. To achieve the objective industry must be efficient, and this is not possible unless it is organized in economic units and is not overcapitalized by having too many units. This is where the Industrial Efficiency Act is proving very useful. Manufacturing and distributing interests have demonstrated a willingness to use the Act better to co-ordinate their activities and relationships on a co-operative basis and thereby to attain more economic production. There are also clear indications that some manufacturers are prepared to establish certain types of industries only if the provisions of the Industrial Efficiency Act can be invoked to prevent uneconomic competition, without which they consider the investment of capital in such cases would not be justified. In this respect also, therefore, the industrial policy is securing substantial advantage to the Dominion. The appreciation of the Act by industrial and trade organizations and individual operators is evidenced by the fact that at their own request nine industries have been gazetted as licensed industries during the year, making the total number twenty-four.

To remove the misunderstandings that existed, the Government policy in regard to import selection was clarified by a joint statement issued by the United Kingdom and New Zealand Governments. This statement, which was also published in New Zealand, reaffirmed our policy to ensure the maximum expansion of trade between the United Kingdom and New Zealand consistent with the maintenance of sound economic conditions in New Zealand and the Government's obligations to existing industries. It was also readily agreed that we would not use import selection to foster uneconomic industries, for, as already explained, to do so would defeat our main objective of raising the standard of living.

In administering the import selection scheme preference is, of course, given to essential requirements for defence, for primary industries, and for secondary industries, while at the same time every endeavour is made to divert purchases to United Kingdom markets.

Import selection.

In regard to the remittance of moneys overseas—now subject to Reserve Bank permit—sterling funds are first of all earmarked to provide for State and local-authority debt charges, which alone involve a very substantial sum. Then allowance is made for interest on private debts and investments held by persons overseas and for certain other necessary expenditure, while the balance is available for imports, both State and private. Thus New Zealand is giving pride of place to her overseas commitments.

Overseas remittances.

In applying the system every endeavour has been made to encourage the development of economically justifiable industries in New Zealand—firstly, in accordance with the policy to which I have previously referred, and, secondly, to reduce the call on sterling funds in future years by importing raw materials in place of finished goods. In carrying out this policy there has naturally been an increased demand for machinery for manufacturing purposes and for raw materials. We will receive the benefit of these importations in future years, but the immediate effect has been to increase the demand for sterling funds, and this in turn has led to some delay recently in arranging remittances.