

A most necessary prerequisite to the removal of import control would, however, be a careful examination of the possible consequences to industry and what tariff adjustments might be necessary to protect adequately the worth-while units and prevent any too violent a disruption in the present pattern of our economic life. Much heart-searching will be required if we have to decide as to whether or not units, whose protection on the grounds of saving in expenditure of overseas funds is justified, merit protection on different grounds.

As proved by so many firms, New Zealand industry can produce a quality article at a competitive price, and there is still a large field for economic development of manufacturing industry. For instance, there is prospect of worth-while expansion in the direction of processing our own primary products and the utilization of indigenous raw materials—*e.g.*, wool, clay, timber. As the population of the country increases, manufacturing industry must become a progressively important avenue of employment, unless there occurs a considerable change in the pattern and type of our primary production.

It is important to realize that our gradually increasing population is constantly enlarging the local market and offering opportunities for industries which could not previously have been established on an economic basis. New Zealand is undoubtedly experiencing inflation, and with the high competition for our already fully employed productive resources, industry unquestionably is not in the best position to show what it can do. Lack of labour to keep expensive capital equipment fully employed and high rates of taxation militate against low costs of production. With the inherent enterprise and intelligence of our people, provided the economy of the country is in a sound condition, there is every reason to expect that we can be as successful in the field of manufacturing industry as we have with primary production. The important thing is the need to realize, however, that this cannot be achieved overnight, and that the aim should be the building of a sound industrial basis for the future with appropriate selection of new industrial development.

It has been suggested that as our productive resources are now so fully employed, the time has come when some reassessment of policy should be made. With labour, hydro-electricity, building resources, &c., in such scarce supply, it might well be thought in the national interest to adopt a stricter test of desirability on new projects. It is indeed questionable whether industrial expansion should proceed at its present pace and so add to the existing unsatisfied demand for labour and other scarce factors of production. Every new enterprise must inevitably compete in the market for labour and to the extent that it is successful, must draw from established industry. In fact it has been suggested that a review of manufacturing industry should be carried out with the intention of determining, as far as possible, those industries which are worth while and those whose continuance is not in the best interests of the nation. Any such review is fraught with great difficulties of choice especially in the face of established interests both of capital and labour. Some notes on selected industries are contained in Appendix E.

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