national meetings is adequate for this purpose. The Economic Summits are too exclusive and in any event have shown little evidence of an ability to make progress on difficult issues. Over the past decade the IMF's Interim Committee has likewise achieved very little, other than the 1976 agreement to amend the Articles.

So we need to meet again, as we did at Bretton Woods, in a full-scale conference to review the state of the international financial system and the role of the Fund and the World Bank in managing that system. We should also reexamine the GATT which has all but completed its historic and important task of reducing tariffs on industrial goods, but which seems incapable of dealing with agricultural protectionism and all the new and virulent forms of non-tariff barriers on industrial goods and services.

Effective international economic cooperation is not an alternative to sensible domestic economic management. The two go hand-in-hand. New Zealand has not and will not wait for the painful process of international consensus to emerge. Over the past four or five years the outline of the domestic economic program we have needed to follow — our growth strategy — has become reasonably clear. In the first place we needed to reduce our oil import bill, given that we imported 90 percent of our oil requirements. The second oil shock of 1978 increased our import energy bill from less than 500 million dollars to over 1,500 million dollars — another billion dollars a year for slightly less oil.

Our traditional markets for agricultural products suffered a number of reverses as Britain progressively harmonized its policies with those of the European Community. Over a five-year period our key market for cheese virtually disappeared and our butter market halved. In 1974 New Zealand's terms of trade tumbled by one-third — no country among the twenty-four developed countries of the OECD suffered a more dramatic decline. There was no longer any question of "living off the sheep's back" — we now had to export four sheep instead of three to pay for the same volume of imports, and accomplish the difficult task of finding new markets for them.

New Zealand's response

The classic response — and one still urged on my country by certain academic economists — was to subject New Zealand to the most stringent fiscal and monetary policies, devalue the currency, and let market forces take over. That policy mix would not have worked for two reasons. First, the arithmetic was against it. To correct the external current account deficit brought about by these international circumstances would have required a massive devaluation. That would have fed through into our domestic price system long before it would have induced an increase in the supply of our main agricultural exports, which were in any case, constrained by protectionist legislation in our markets. Second, it would not have worked politically. Any democratically-elected government that followed such policies would have lasted no longer than the next election.

I am interested in economic policies that satisfy two conditions. First, they must take us in the right economic direction. Second, they must command sufficient electoral support to enable the government to sustain such policies. If they don't, we're thrown out, our policies are reversed, and we achieved nothing. It is said that the art of politics is knowing how much of the future to introduce into the present. I like that approach.

I have talked about these political realities quite openly in New Zealand, but this has not dampened the enthusiasm of some of my critics who are philosophically attracted to economic baptism by fire. Superficially, such ideas have their attractions. But we have rejected such sudden shock treatment for the economy, and in so doing, we have also rejected old-fashioned pump-priming.

When my government took office in 1975 we inherited an external trade deficit that represented 52.5 percent of New Zealand's total annual exports. That could not continue. That gave us very little freedom to manoeuvre. What we tried to do — and we have been quite successful in this since unemployment in New Zealand is about one-third of the OECD average — is to maintain a reasonable level of economic activity while undertaking the difficult task of restructuring the economy so that it became more export oriented, increasingly internationally competitive, and less dependent on imported fuel.

COURTESY NEW ZEALAND HIGH COMMISSION

Prime Minister Robert D. Muldoon

In agriculture, we have implemented policies designed to build up livestock numbers in New Zealand's traditionally strong pastoral industries. We have developed new markets for these products in the Middle East, the Pacific and Asia.

Over the past three or four years we have also witnessed what some observers call the beginning of a horticultural revolution in New Zealand. We have found that the same factors that lie behind our strengths in dairy, meat and wool — namely, a highly favorable climate, efficient management practices, and the rigorous application of the latest agricultural technology — are combining to produce similar results for a diverse collection of fruits, vegetables and flowers. Horticultural exports are already worth about the same as New Zealand's total cheese exports. Based on planting now underway and prices prevailing in 1980, one of these products alone — kiwifruit, the star performer — is