

3. Mr. Stuart urges a reconsideration by Her Majesty's Government of the question of the annexation of New Guinea, on the ground that there may be a danger, in consequence of the prominence now given to the subject, of its being taken possession of by a Foreign Power as a strategical point of importance in the future domination of these seas, which, in the event of a European war, might prove disastrous to Australian and British interests.

4. In his letter to Sir Thomas McIlwraith, Mr. Stuart refers to the question of expense, and considers that it should be fairly looked at and a division of expense suggested as to the proportions to be borne by the countries interested.

5. In regard to the proposal of an Intercolonial Conference to discuss the question of federation, Mr. Stuart states that, if it be considered that the present is a fitting time, he will gladly accede to the suggestion, and that such discussion should then take the form of putting forward the basis on which a federal government should be constituted.

I have, &c.

The Right Hon. the Earl of Derby.

AUGUSTUS LOFTUS.

Enclosure.

MY LORD,—

Colonial Secretary's Office, Sydney, August 1st, 1883.

I have the honour to address you on the subject of New Guinea annexation, with the view of inviting your Excellency to convey to the Secretary of State for the Colonies the views of this Government.

2. I beg to enclose a copy of a communication received from Sir Thomas McIlwraith, with a minute of the Executive Council of Queensland, and of my reply thereto.

3. I would respectfully urge a reconsideration of the question by the Imperial Government, because that, although I am not prepared to say that there was an imminent prospect of New Guinea being taken possession of by any Foreign Power, yet I do fear now that the prominence which has been given to the subject will of itself cause some nation to take it up as a strong strategic point in the future domination in these seas.

4. From its close proximity to the northern part of Queensland, and from the control over that important highway of commerce, Torres Straits, which would be given to any possessor of the southern shores of New Guinea, its occupation by a foreign nation might be, in the event of European war, most disastrous to Australia, and therefore to British interests.

5. I was at one time inclined to think that a protectorate of the southern coast would have been sufficient, and even yet it may be so if its effect would be to keep any other nation from obtaining a footing, but if a protectorate be inefficient for that purpose it would be better to accept the annexation, so that there might be no ground for the future disquiet arising from foreign settlements so close upon our shores.

I have, &c.

His Excellency the Right Hon. Lord Augustus Loftus, G.C.B.

ALEX. STUART.

SIR,—

Colonial Secretary's Office, Sydney, July 31, 1883.

I have the honour to acknowledge receipt of your letter of the 17th instant, communicating to me the views of your Government, as expressed in a minute of your Executive Council, upon the refusal of the Imperial Government to confirm the annexation of New Guinea.

In reply I desire at the outset to assure you that I deprecate as much as any one that New Guinea should ever be taken possession of by any Foreign Power, as it not only would tend to cripple the trade in Torres Straits, which has proved a beneficial enterprise both to your colony and to ours, but would at all times, and especially in any European conflict, be highly inconvenient and menacing to the whole Australian group.

Holding this view, I had no hesitation in sending, in April last, instructions to our Agent-General to state to Lord Derby that this colony viewed with the utmost favour the annexation of New Guinea by the British Crown, in place of permitting any Foreign Power to take possession of it or obtain further footing therein.

While strongly holding these views, I am not altogether surprised at the attitude taken by Lord Derby, because it seems to me that, while deeply impressed yourself with the danger to be apprehended of immediate foreign aggressive movement upon the island, you have not very definitely shown to Lord Derby the grounds for your fears, but have urged him to accept your strong feelings as evidencing the facts, rather than submitted definite proofs of the facts themselves, or pointed out sufficient overt acts of any Foreign Power upon which he could come to the same conviction as yourself.

I take a somewhat different view from you with regard to the expense of annexation. It is contrary to the English genius of colonization to be content with exhibiting the mere nominal symbol of her flag. When England annexes she must govern, she must rule. She cannot be content with the *laissez faire* system, which you point out as having been followed by the Dutch, not interfering with the aborigines, but waiting and simply holding the country as against any other Power. It seems to me, therefore, to be unwise to brush aside the matter of expense as a mere fancy. It should, on the contrary, be fairly looked at, and a division suggested as to the proportions to be borne by the countries interested: the Imperial interests are probably as great as the Australian, and the colonies would doubtless respond to any liberal basis for its apportionment.

I have always looked upon the question of federation as one which would not probably assume a definite shape until the outward pressure of some common danger compelled the various colonies to sink many minor differences and jealousies in the necessity for combined action for common safety. Whether such danger exists in the present refusal by the Imperial Government to recognize the action you have taken with regard to New Guinea, I feel hardly called upon at present to decide; but I gladly accede to your suggestion that the question of federation should be discussed