

As excellent media for advertising the nature and quality of our products and some of our manufacturers, the Department has taken advantage of the following exhibitions:—

Crystal Palace, New Zealand Permanent Court.
 Royal Horticultural Society of England, Westminster, London.
 Groceries Exhibition, Agricultural Hall, London.
 Colonial Products Exhibition, Liverpool.
 Irish International Exhibition, Dublin.

I am convinced that these exhibitions have been of considerable educative value as far as New Zealand products and manufactures are concerned.

In addition to these, exhibits have been made at the offices of the Government Agents in Sydney and Melbourne, and others are being prepared for the Australian Natives' Association Exhibition, Melbourne; the Royal Dairy Show, Islington, London; and the Franco-British Exhibition, Shepherd's Bush, London.

Australia's trade with the East has been rapidly expanding—so much so that the Victoria and New South Wales Governments have found it advisable to increase their steamship-service subsidies in order to obtain a more frequent and faster service. If New Zealand is desirous of securing a portion of this trade, it will be necessary to also arrange for a steamer-service on a subsidised basis.

There seems to be no diminution in the quantity of New Zealand butter which finds its way into the hands of the British faker and blender. The Butter Bill, which has passed the British House of Commons and is now before the House of Lords, is likely to have a beneficial effect; but, unfortunately, its provisions are not sufficiently restrictive to meet our requirements. While the addition of foreign substances is to be prohibited, blending with a maximum of 16 per cent. and milk-blending with 24 per cent. of moisture are still to be regarded as legitimate trade practices.

The steam service between the western ports of Canada and New Zealand has been running every alternate month during the year. The subsidy for this service is contributed in equal portions by Canada and New Zealand.

Although the development of trade between these countries is somewhat slow, it must not be overlooked that the business is practically a new one, as regards both our imports from and exports to Canada, and therefore a reasonable time must necessarily elapse before a satisfactory volume of trade is established.

The Canadian Government having expressed its willingness to enter into a reciprocal trade treaty with New Zealand, and both countries having extended preferential trade treatment to one another, it is, I consider, only a matter of time when there should be a very considerable trade between these two countries.

As an indication of the trend of Canadian feeling in this connection, I may refer to the following offer of the Imperial Export Company (Limited), of Ottawa, made to the Canadian Government to run a line of steamers six-weekly to Australia and New Zealand, guaranteeing full outward cargoes, and to establish exhibitions of Canadian manufactures and products in Australia and New Zealand, for the consideration of a subsidy of £50,000 per annum for three years. There is little doubt but that very good cargoes would be offering for the return trip, as New Zealand hemp, wool, pelts, &c., are in great demand in Canada. A summary of the Imperial Export Company's proposition as outlined by their solicitors is as follows: "We think it is apparent from what we have said above that it is most desirable that transportation facilities from eastern Canada to the ports of Australia and New Zealand should be placed at the disposal of our manufacturers and shippers, and the Imperial Export Company (Limited) are prepared to enter into an arrangement with the Dominion Government whereby they will agree to furnish eight steamers per year of suitable tonnage, running direct from Montreal or Quebec in summer, and St. John or Halifax in winter, to Australian and New Zealand ports. The Imperial Export Company (Limited) is prepared to guarantee full cargoes, to take entire charge of the freighting and despatching of the steamers to the markets named, and will also agree to undertake to establish permanent exhibitions in the principal cities of Australia and New Zealand, where Canadian manufacturers generally may display their goods for comparison with those manufactured in the United States. This will be a general exhibition of all manufactured lines, and competent officials will be placed in charge. For all these various undertakings we would require the sum of £50,000 per year for three years, payable in equal proportions upon the sailing of each steamer to the Australian and New Zealand ports—that is, about £6,000 for each steamer—we guaranteeing, as above stated, to supply eight steamers per year with full cargoes, and, in the event of our failing to do so, to forfeit the whole subsidy."

The Trade Representative, Mr. J. G. Gow, has been sent to Canada for the purpose of ascertaining the possibilities of extending our trade with that Dominion, and, although I am unable to publish a full report from that officer at present, some extracts from interim reports will be found in the Appendices to this statement which go to show that there is evidently scope for improvement in our trade relations, more especially with the eastern ports. There is already a fairly large export trade with these ports *via* New York and London. Canadian exporters claim to be able to supply this country with the same classes of manufactures as are now being supplied by the United States in very large quantities. A cablegram has been received from Mr. Gow that a full report of the trade prospects with Canada has been posted.

The contract with the New Zealand and African Steamship Company to the West Coast ports of the United Kingdom, which was arranged for entirely without subsidy, expired in February of this year. Although this service has not proved profitable to the Steamship Company, it is being continued without the contract being renewed.

There has been a very satisfactory increase in trade between New Zealand and the Commonwealth States. The exports for the year ending the 31st December, 1906, are valued at £3,156,489, as against £1,815,717 for the previous year. Imports, £2,391,767 for 1906, and £2,294,971 for 1905.