The United Kingdom's share so far discussed is a percentage of the total imports of merchandise into New Zealand, but it is to be remembered that of these total imports a certain part consists of goods which the United Kingdom does not itself produce, and which also, for geographical reasons do not go to the Dominion by way of United Kingdom ports, or do so only to a very small extent. Such, for example, are a number of food commodities—rice, potatoes (which come chiefly from Victoria), fresh fruit (largely from Fiji and Victoria), sugar (which is drawn mainly from Fiji, but also from New South Wales and Java), Australian wine, tea (almost entirely from India and Ceylon, the latter being the chief source of supply); and also from commodities as coal (from New South Wales), dressed and undressed timber (principally from Australia), kerosene and turpentine (from the United States), wool (a small amount is imported from Australia), and kapok (from India and Java). The total value of commodities of these kinds imported into New Zealand in 1906 was not less than £1,500,000, and the deduction of this amount from the total imports in that year would raise the United Kingdom share of the trade in which it could reasonably be expected to participate, to about 70 per cent.

So far, then, as the available statistics go, it is evident that the United Kingdom has at present an overwhelming pre-eminence in the New Zealand trade; that (even when all allowances are made for the difficulty of interpreting the figures) it is clear that the slow decline which was taking place up to 1900 and 1901 has been checked, and that in the last five years British traders have held their ground, and secured in 1906 their full share of the striking expansion which characterizes that year. In considering this question of the general distribution of the New Zealand trade and the share therein of the United Kingdom, there are two important factors to be taken into account —first, the preferential-tariff treatment which is accorded by the Dominion to the products and manufactures of the Empire, and, secondly, the nature of New Zealand's oversea communications.

(i.) *Preferential Treatment of British Goods.*

Under the terms of the Preferential and Reciprocal Trade Act, which came into force in November, 1903, New Zealand granted preferential treatment to certain specified goods the growth, produce, or manufacture of any part of the British dominions, not, however, as in the case of Canada and Cape Colony, by means of a rebate of part of the duties imposed by the general tariff, but by the imposition of duties or additional duties on similar goods of foreign origin. The principal articles in regard to which the British dominions thus received preferential treatment were—(1) Iron (plain block sheet, bar, bolt, plate, and rod), rails for railways and tramways, and printing-paper, which were admitted free when of British origin, but paid a duty of 20 per cent. *ad valorem* when coming from foreign countries; (2) cement, on which the additional duty was equivalent to 100 per cent. of the duty of the British article; (3) boots and shoes, hardware, hollow-ware, iron nails, ironmongery, iron pipes and fittings, glass and earthenware, pianos, fancy goods and toys, on most of which the additional duty was 50 per cent. of the amount payable by British goods. On the 31st March, 1904, tea grown in any part of the British dominions became duty-free if imported in packets exceeding 1 lb. in weight. The following table shows the imports of a class subject to preferential treatment for the three years preceding the Act, 1901 to 1903 (the Act came into force on the 16th November, 1903), and for the three years since, 1903 to 1906. It will be observed that the foreign share of the imports of these goods, which was increasing up to and in 1903, has since that year declined quickly, even in the prosperous year 1906, when the imports of these classes of goods as a whole increased by half a million pounds.

Year.	Imports of Articles of a Class subject to Preferential Treatment from—			
	All Countries.	United Kingdom.	British Possessions.	Foreign Countries.
	£	£	£	£
1901	2,261,000	1,357,000	366,000	538,000
1902	2,247,000	1,341,000	326,000	580,000
1903	2,569,000	1,507,000	367,000	695,000
1904	2,731,000	1,604,000	436,000	691,000
1905	2,638,000	1,626,000	440,000	572,000
1906	3,150,000	2,086,000	521,000	543,000

The figures as a whole suggest that the effect of the preferential arrangements has been to divert to the United Kingdom and the British possessions a portion of the trade formerly held by foreign countries in commodities affected by the preference, and that in particular in the last year the United Kingdom and British possessions were enabled to secure the whole of the increase in the imports of these commodities, which constituted in that year about 22 per cent. of the total imports into New Zealand. This conclusion is borne out by evidence collected both in the Dominion and in the United Kingdom itself from various firms engaged in the New Zealand trade. Thus it was frequently stated that before the Act of 1903 came into operation Belgian iron bars could be placed in the New Zealand market cheaper than Scotch or North Country bars, but that the 20 per cent. *ad valorem* duty on foreign bars has completely reversed matters, and that British iron can now be purchased and landed in New Zealand at less cost than the continental article. The same statement is made as to most kinds of manufactured metal goods to which preferential