STATEMENT BY THE LEADER OF THE DELEGATION FOR NEW ZEALAND
(THE RT. HON. J. G. COATES)

Since the latter part of 1929 New Zealand, in common with other parts of the British Empire, has been struggling against a severe economic depression. The whole mechanism of our production, distribution, profits, wages and interest, seems to be out of joint.

New Zealand is essentially a producer of primary produce, i.e., raw materials and foodstuffs. Pastoral and dairy products account for about half of the total national income and for over 90 per cent of the total value of exports. Thus the effect of changes in prices of such products becomes significant.

New Zealand's external trade per head is one of the highest in the world and by far the greatest portion of that trade is with Great Britain.

The general development of New Zealand has been carried out mainly with British capital—both public and private. The Government and local body debts raised by New Zealand in Great Britain total approximately £174,000,000. Figures relating to private investments are not available, but the total indebtedness, both public and private, to Great Britain, would probably be not far short of £200,000,000.

New Zealand's population is predominantly of British stock and the Imperial sentiment is strong. New Zealand is therefore closely allied to Great Britain by strong ties of sentiment, trade and debt.

New Zealand's external obligations are admittedly heavy for a relatively small population, but the country is fertile, the people are industrious and of a high general level of intelligence. These obligations could be carried without strain whilst the country's products were welcomed in Great Britain and the prices remained steady. In fact, its debts were largely incurred on that assumption, but the extraordinary fall in prices since 1929 has completely changed the position. As a primary producer New Zealand has been hard hit because prices for primary products have fallen considerably more than the prices of imported manufactured commodities.

In 1928 and 1929 the external debt charges of New Zealand absorbed little more than one-sixth of the value of exports, whilst at present they absorb about one-third of the value of exports.

The volume of imports into New Zealand is further decreased by the fact that the terms of trade have swung heavily against New Zealand; to such an extent that the quantities of imports that can be purchased is now only about half of what it was three years ago. Such a heavy curtailment in so short a period has imposed a great strain on New Zealand's economic system and drastic steps have been necesssary to restore some measure of economic equilibrium and to ensure that overseas obligations are in the meantime met.

Whilst the Dominion has no wish to escape the liabilities incurred on its behalf, nevertheless it is recognized that the burden has been gradually increased by the lack of stability in the sterling price level and a strong public feeling exists that steps should be taken to restore that price level.

The only thing that can really relieve the strain in New Zealand is a rise in British prices and the people of the Dominion—and I think also in other parts of the Empire—expectantly look to the financial wisdom of London to devise a means of achieving the desired object. It is realized that London is the foremost financial centre in the world and trades with the whole world and accordingly it is recognized that Great Britain must also consider the matter from an international standpoint.

Adjustments in internal fixed charges in the Dominion, such as interest, rent and wages, have been put into effect, but at the same time it has to be recognized that failure to stop the fall in prices and bring about some measure of restoration will make it difficult for New Zealand to continue to carry existing debt burdens.

The Dominion is at present operating on a sterling exchange system and desires to adhere to that system. It is willing and anxious to co-operate in any steps which London may devise with a view to remedying matters. Such co-operation might include the co-ordination of our banking system under a central reserve bank and the charging of such a bank with the duty of maintaining the sterling exchange system.

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