1932.
NEW ZEALAND.

IMPERIAL ECONOMIC CONFERENCE, OTTAWA, 1932.

STATEMENT BY THE RIGHT HON. J. G. COATES, LEADER OF THE NEW ZEALAND DELEGATION, 13TH OCTOBER, 1932.

Laid on the Table of the House of Representatives by Leave.

MR. SPEAKER,—

The summary of the proceedings of the Ottawa Conference was circulated amongst honourable members last week. I now wish to lay on the table the full text of the Agreement between the United Kingdom and New Zealand. It may assist if I make a statement bearing on the Conference and the Agreement before I move certain resolutions affecting the Customs duties levied on imports; later on, after ample opportunity for debate has been given, there will be a motion expressing approval of the Agreement, and a Customs Bill embodying to-night's resolutions will come down at an early date.

Sir, the Ottawa Conference of 1932 marks a milestone in the history of our Empire. No previous Colonial or Imperial Conference was charged with issues—with menacing dangers if it should fail, with richer promise if it should happily succeed—with issues more vital to the welfare of our people. The world-wide depression had passed beyond the stage at which it was within the power of any nation by its single-handed efforts to arrest the drift. Co-operation on a wide scale was necessary, and urgently necessary, not merely to effect recovery but to prevent further collapse. The countries of the Commonwealth of British Nations looked to Ottawa to set them by co-operative effort on the high road towards recovery.

Nor were the nations within our Empire alone in looking to Ottawa and recognizing its significance. Other nations, equally in the grip of the depression, were alive to the bearing of the Conference on their own welfare. Anything that would hasten recovery in the one-fourth of the world which is included within the Empire would be the most effective way of assisting also the other three-fourths. Events prior to the Conference, Great Britain's steadfast calm in the face of adversity, and the success of her great conversion loan, had strengthened the ability of the British Empire to play its traditional part in leading the world towards recovery. We were not seeking the selfish advancement of our own country or our Empire, regardless of the welfare of the rest of the world. Judged even by the narrow standards of the material gain to the nation pursuing it, such a policy of isolation is unwise. It brings its own undoing. Rather was it our ideal and our immediate purpose to contribute our part towards general recovery, in which our people would reap their share.

I cannot express this sentiment better than by recalling the words of Mr. Baldwin, uttered in his opening address to the Conference.

Stressing the need for "clearing the channels of trade among ourselves," and for promoting commerce within the Empire, Mr. Baldwin noted that "there are two ways in which increased preference can be given—either by lowering barriers among ourselves, or by raising them against others" . . . "We should endeavour," he said, "to follow the first rather than the second course. For however great our resources we cannot isolate ourselves from the world. No nation or group of nations, however wealthy and populous, can maintain prosperity in a world where depression and impoverishment reign."

The delegation from each and every dominion at Ottawa subscribed to this ideal. Before referring in detail to our agreement, I desire to emphasize that loyalty to its spirit requires that we should proceed by way of removing barriers to trade — barriers and hindrances which are so largely responsible for common impoverishment in a world abounding with the means of plenty.

The immediate purpose of the Ottawa Conference, so far as New Zealand was concerned, was to obtain assured markets for our exports, and for these markets we look mainly to the United Kingdom. First, then, we sought continued exemption from the United Kingdom's 10-per-cent. revenue tariff. Had it not been for the Ottawa Conference, or had we failed to reach agreement, the tariff would have fallen upon our products imported into the United Kingdom after that date, just a month hence. The first achievement of the Agreement, provided for in Article 1, is that our staple exports are to remain exempt from the tariff.

Moreover, an increased margin of preference, mostly of the order of 15 per cent., instead of the former 10 per cent., is to be granted to many New Zealand exports. This applies to butter, cheese, apples, pears, eggs, milk-products, and honey. On a further substantial list of our exports the margin of 10-per-cent. preference over foreign products is to be maintained. The 15-per-cent. list covers many foodstuffs, the 10-per-cent. list covers articles which are the raw materials of British manufacturing industries.

A highly valuable provision now conceded by the United Kingdom is that these preferences on New Zealand products are for the most part guaranteed to continue for at least five years. A reservation in relation to dairy-products (Schedule A to the Agreement) enables the United Kingdom, after the expiry of three years, and in the interests of the United Kingdom producer, to impose a duty on New Zealand produce, while maintaining the existing margin of preference over foreign produce, or to introduce a system of quantitative regulation of all supplies. But generally the arrangements concluded at Ottawa are effective for five years, and thereafter until six months' notice of denunciation has been given by either party.

The list of New Zealand exports on which preference is guaranteed is set out in the Schedules to our Agreement. Those Schedules are not identical in the products enumerated with the Schedules of other dominions. Our Schedules include only those products in which New Zealand is at present interested as an exporter. But in this connection it is to be added that, if we build up an export trade to the United Kingdom in any line now included in the Schedules of another dominion but not in our own, our position is safeguarded. We will enjoy the benefit of the preference. We will enjoy, that is to say, what may be called "most-favoured-dominion treatment." If we export, for example, tobacco or preserved fruit, we automatically become entitled to the preference which is given to any other dominion.

Meat.

In regard to meat, our Agreement proceeds along new lines. The purpose of the agreed policy is not different from that sought in other products; it is to secure for the dominions and the home producer an increased and assured share in the United Kingdom market at remunerative prices. But the method of approach is different in the case of meat; and as it has been the subject of misunderstanding, I shall refer to it in some detail. I am also able now to announce certain important figures which, up to the present, have not been disclosed.

The outstanding fact to note in connection with the United Kingdom meat-market is the vast and abnormal increase in supplies. With the closing or curtailment of important European markets, supplies which they normally absorb have been diverted to the United Kingdom. Particularly has this been true of pig-products, and indeed their increase has been sufficient of itself to account for the collapse in meat-prices.

The figures of bacon imports for the past two years show the extent of the increase:—

Bacon Imports into the United Kingdom.

	Cwt.
1929	8,278,100
1931	11,137,800
Increase	2,859,700

If we take the estimate that 20 lb. of bacon is equal to one lamb, the increase in bacon in two years is equal to 16,000,000 carcasses of lamb, equal to the whole of the lamb imported into the United Kingdom from all sources in 1931. The result was that the meat-market was broken by this deluge of bacon imports. New Zealand does not export bacon, but the increase in bacon supplies has broken the market for all meat.

The following figures summarize the estimated imports of meat from all sources into the United Kingdom in the years 1929, 1930, and 1931:—

	1929.	1930.	1931.
	Cwt.	Cwt.	Cwt.
Beef	11,670,000	11,578,000	11,982,000
Mutton and lamb	5,631,000	6,383,000	7,107,000
Pig-products	9,604,000	10,546,000	12,331,000
Totals	26,905,000	28,507,000	31,420,000

These figures, showing a steep increase, reflect not the normal course of trade but the distress and forced offering of abnormal supplies at prices regardless of the cost of production.

Even at the low prices that have prevailed, it has been impossible to absorb the greatly increased volume of supplies.

This condition, with prices below the cost of production, is disastrous to producers and must react to the injury of consumers also.

To cope with the abnormal conditions just described, abnormal measures are clearly necessary. New Zealand sought, as a long-term measure, a preferential position in the United Kingdom market, to be secured by means of a tariff on foreign supplies with free entry for the products of the dominions. To supplement this, as an emergency measure, we suggested the imposition of a quota against foreign supplies. At the present time the meat imports of the United Kingdom have the following origin: Foreign, 76 per cent.; Empire, 24 per cent.

Our contention was that there was ample scope for increasing the dominions' share, and this was not disputed. Moreover, the New Zealand proposals were accepted as the basis of the agreed requests advanced on behalf of all dominions to the United Kingdom.

His Majesty's Government in the United Kingdom were unable to accede to the request for a tariff on foreign meat. The statement, widely published in New Zealand, that they were prepared to impose such a tariff, and that it was rejected by us, is contrary to fact. At no time were the United Kingdom representatives at Ottawa prepared to contemplate a tariff on meat.

While unable to impose a tariff on foreign meat, the Government of the United Kingdom were prepared, and, indeed, in the interests of their own producers they were determined, to apply a scheme for the regulation of imports. The objective of the scheme as expressed in our Agreement is a twofold one—to raise the price of meat to a remunerative level, and to increase the share of the home producer and the dominions in the United Kingdom market.

So far as pig-products are concerned—in which New Zealand is interested as a potential exporter and by reason of the bearing of these products on the meat-market generally—finality has not been reached. At the moment the whole situation is being surveyed by a Commission specially set up for the purpose in the United Kingdom. But we are assured that a substantial reduction will be made in imports of foreign bacon supplies and that the dominions will acquire an increasing share in the United Kingdom market.

Mutton and lamb are the meat-products in which New Zealand is most directly interested at the moment; and, as shown by the figures already quoted, recent increases in the supply on the United Kingdom market have exceeded the capacity of the market to absorb them. The competitors of the British dominions are mainly the South American republics. Their mutton and lamb exports to the United Kingdom, while substantial in volume, do not constitute a large proportion of their total meat exports; they are interested mainly in chilled beef, and in this line our southern dominions are unable to compete.

By the Agreement made at Ottawa, His Majesty's Government in the United Kingdom agree to reduce the imports of foreign mutton and lamb by the following percentages, as compared with the total for the twelve months ended 30th June, 1932:—

For quarter ending—

31st March, 1933, by 10 per cent.
30th June, 1933, by 15 per cent.
30th September, 1933, by 20 per cent.
31st December, 1933, by 25 per cent.
31st March, 1934, by 30 per cent.
30th June, 1934, by 35 per cent.

and thereafter at not less than 35 per cent. for the period of the Ottawa Agreement—*i.e.*, for five years in all.

Foreign frozen beef is to be subject to the same percentage reductions as those just mentioned. Chilled-beef imports from foreign sources are to be regulated so that no increase beyond the quantity for the year ended 30th June, 1932, will be permitted.

An alternative method of expressing the agreement in relation to the imports of foreign meat is given as follows:—

STATEMENT SHOWING THE MAXIMUM QUANTITIES OF FOREIGN MEAT TO BE ALLOWED TO BE IMPORTED INTO THE UNITED KINGDOM DURING EACH QUARTER OF THE PERIOD 1ST JANUARY, 1933, TO 30TH JUNE, 1934, EXPRESSED AS PERCENTAGES OF THE QUANTITIES IMPORTED IN THE CORRESPONDING QUARTERS OF THE TWELVE MONTHS ENDED 30TH JUNE, 1932.

—	1933.				1934.	
	Jan.–March.	April–June.	July–Sept.	Oct.–Dec.	Jan.–March.	April–June.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Frozen mutton and lamb	90	85	80	75	70	65
Frozen beef (carcasses and boned beef)	90	85	80	75	70	65
Chilled beef	100	100	100	100	100	100

No reduction is to be imposed on any exports from New Zealand. We have, however, agreed as set out in my letter to Mr. Baldwin, to give early in each export season a reliable estimate of exports, by weight, of mutton and lamb. In consultation with the representatives of the New Zealand Meat Producers' Board, we have given an estimate for the season which is just commencing. The purpose is to assist in orderly marketing of supplies in the United Kingdom. It is manifestly fair as between one dominion and another that substantially similar conditions should apply to all, and the Ottawa Agreements satisfy this requirement. We are not to exceed the estimate given.

It is impossible for anybody mathematically to calculate the precise effect on prices which will result from regulation of supplies. But it can be assumed that such regulation will tend to raise prices to a remunerative level. The United Kingdom Government are able, in accordance with the Agreement, to safeguard the interests of consumers; and the plan adopted will, it is believed, be beneficial to producers without detriment to consumers.

Concessions by New Zealand.

I have dealt with the concessions which by virtue of the Ottawa Agreement the United Kingdom extend to New Zealand, and have sketched the position in regard to meat. I now turn to the changes in the New Zealand Customs tariff to which we agree.

Generally, our undertaking is that "protection by tariffs shall be afforded against United Kingdom products only to those industries which are reasonably assured of sound opportunities for success." We agree to institute an inquiry into existing protective duties (at which inquiry United Kingdom producers will have facilities for expressing their views), and where necessary we will reduce protective duties to such a level as will place the United Kingdom producer in the position of a domestic competitor—that is (to quote the text of the Agreement), protective tariffs will be reduced to a level "which will give the United Kingdom producer full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production."

We agree also to remove at once the surtax on goods produced in the United Kingdom and, when financial conditions permit, to remove the primage duty of 3 per cent. *ad valorem*. These were imposed, it will be recalled, for revenue purposes and not for the protection of local industries.

Turning now to the detailed changes in our Customs tariff to which we are committed by the Ottawa Agreement, and which will be placed before the House to-night in the form of Customs resolutions, the agreed list of changes in duties levied on United Kingdom manufactures is as follows:—

No. 1.—Confectionery ..	Reduce from 30 per cent. to 27½ per cent.
No. 2.—Apparel and ready-made clothing	Reduce from 32½ per cent. to 27½ per cent.
No. 3.—Hosiery	Reduce from 32½ per cent. to 27½ per cent.
No. 4.—Silk and artificial silk piece-goods ..	Reduce from 10 per cent. to free.

That is the whole list. It is not an extensive list. Moreover, it is to be noted that by legislation passed by Parliament in 1931 the duty on apparel and hosiery was already to be reduced to 27½ per cent. as from 1st April 1933, and the duty on silk piece-goods was to be abolished as from that date. As far as those items are concerned, therefore, the result of the Ottawa Agreement is merely to anticipate by a few months tariff changes which have already been approved by the Legislature. Confectionery is the only new item. We are also proposing to grant the United Kingdom a preference of 10 per cent. on writing and printing paper in large sheets (they already have the preference on small sheets), and this will be given by imposing 10 per cent. on foreign paper.

It will be noticed from the resolutions that it is proposed to reduce the General Tariff on the last three classes of goods previously mentioned to the level provided for in the 1931 legislation. It is also proposed to make a reduction in the General Tariff on confectionery. It was generally recognized at Ottawa that the rates of duty under the New Zealand General Tariff were too high, and clause 10 of the Agreement allows New Zealand the right to maintain the existing margin of preference where less than 20 per cent. *ad valorem*, and where these margins at present exceed 20 per cent. to reduce them to that figure. The relatively high duties now imposed on many lines of foreign goods do not confer any real benefit on United Kingdom traders, and merely tend to keep up the cost of living and the cost of production here.

With particular reference to apparel and silks, it has for some years been the settled policy of New Zealand tariff legislation that when any alteration is made in the duty on United Kingdom apparel a reduction should also be made in the duty on foreign silk so that our local manufacturers using silk piece-goods will not be prejudiced.

Honourable members will observe that the resolutions are silent respecting Australia. This is due to the fact that under our existing agreement with the Commonwealth the duties on Australian apparel, hosiery, silks, and confectionery are not greater than the duties now to be levied on United Kingdom goods.

In addition to the foregoing reductions in our Customs tariff insofar as United Kingdom products are concerned, certain changes are agreed to with respect to imports from non-self-governing colonies. These also are dealt with in the Customs resolutions which are to come before the House to-night. The list is as follows, and the Agreement here takes the form not of prescribed maximum duties, but of a guaranteed margin of preference in favour of colonial products:—

Commodity.	Margin of Preference.
Asphalt	10% *ad valorem.*
Cigars	2s. per lb.
Cocoa, beans	½d. per lb.
Coffee, raw	1d. per lb.
Rum	4s. per proof gallon.
Unground spices, viz.:—	
Cinnamon, cloves, ginger, mace, nutmeg, pepper, and vanilla	10% *ad valorem.*

At present asphalt, cocoa-beans, raw coffee, the unground spices mentioned, and printing and writing paper in sheets, are free of duty under both the British Preferential and General Tariffs. The preference on cigars is to be granted by a reduction of the duty on British-made cigars by 1s. per lb. and an increase of the duty on foreign cigars by the same amount. As practically the only cigars of British origin now imported into New Zealand come from the United Kingdom, it is proposed to extend the concession to all British-made cigars. The preference on rum is to be arranged by an increase in the foreign rate by 4s. per proof gallon.

We have agreed that the use of New Zealand flax and other Empire-grown fibres, in preference to foreign supplies which are now used fairly extensively, should be encouraged on a reciprocal basis; we have also agreed to encourage by means of preference the importation of timber, of qualities not produced in our own forests, which is at present obtained from foreign countries.

I have now given all details of the changes in actual Customs duties to which we have agreed. The issue has to some extent been clouded through the alarmist propaganda of interested parties, who have tried to discredit Ottawa by alleging the betrayal of our secondary industries. I have said enough to show the House and the country how fantastic is the statement that, by the Ottawa Agreement, our local industries have been sacrificed. There is nothing in the Agreement or in our obligations under it that will prejudice the establishment or the growth of sound industrial enterprises in New Zealand.

We are, however, bound by the letter and by the spirit of the Agreement to see that reasonable opportunities for trade are extended to the British manufacturer. The general fall in prices has injured trade and has materially added to the burden of protective duties. If we are to revive trade it must be on a reciprocal basis. We cannot expect Great Britain to embark upon a new trade policy designed to help the dominions without our facilitating her trade. The Agreement definitely commits New Zealand to a thorough overhaul of her protective tariff duties. This should be undertaken not merely for the purpose of giving effect to the Ottawa Agreement, but is, I firmly believe, in the interests of our own people. Already the distance that separates New Zealand from the outside world gives substantial protection to local industry. Further artificial protection, which is so easy to establish, so difficult to curb or remove, is apt to be a costly business for our country. If we are to export we must import—we cannot have one-way trade.

There is another side to this question: unnecessary protection is a disadvantage to the manufacturer himself. It is essential in this strenuous industrial age that every industry established in the country should reduce its costs to the lowest possible level by employing the most up-to-date plant and adopting the most improved methods of production. If the tariff is so high as to stand in the way of low costs of production, both manufacturers and employees suffer through loss of trade due to inefficiency. My view is that New Zealand would be in a far better industrial and economic position if the protection granted by the tariff were limited to those classes of goods the manufacture of which is natural to the country either through the local production of raw materials or otherwise. I do not wish to appear to prejudge the results of the inquiry which is to be held, but from the information which has been supplied to me, in some cases even by manufacturers themselves, it is difficult to resist the conclusion that there are industries in New Zealand upon which the protection is too high, and that in the case of others the removal of the substantial tariff assistance at present granted would be an advantage to the whole community. It must be remembered that New Zealand's prosperity depends to a great extent upon the export of its primary products, and it is essential, if we are to compete with other nations in the world's markets, that the farmers' costs should be brought down. I cannot therefore too strongly impress upon the House and the country the importance of this question.

We are apt in judging results of the Conference to weigh the concessions granted by the United Kingdom against the concessions granted by New Zealand. But it must be remembered that the so-called "concessions" which we make in reducing tariffs are not of advantage to United Kingdom exporters alone. They are a gain to ourselves. The contrary view rests upon the fallacy of assuming that tariff duties are paid by exporters. They are, in fact, as is well recognized, paid rather by purchasers and consumers. Their reduction is therefore a necessary step towards lower costs of production and lower costs of living.

One of the resolutions to be introduced provides for the abolition of the primage duty on Australian goods except the 3 per cent. *ad valorem* imposed last year on practically all classes of goods which were otherwise free of duty. This action is taken because it is considered that under the Tariff Agreement with the Commonwealth such primage duty cannot be charged on Australian goods when the surtax on similar United Kingdom goods is abolished. This will simplify the tariff so far as primage duty is concerned, which is at present in a very complicated state.

New Zealand manufacturers may feel that, owing to the abolition of surtax, the primage duty of 3 per cent. on raw materials otherwise free of duty should be abolished. Financial conditions do not at present permit of this concession, but industrialists can rest assured that as soon as possible primage duty will be abolished. In the meantime our manufacturers have the advantage of the 10-per-cent. exchange on the difference between the cost of raw materials and the value of the imported finished article.

With respect to the effect of the proposed change on the revenue of the Dominion, it is estimated that for the remainder of the present financial year there will be a reduction of about a quarter of a million pounds.

Not all the results of the Ottawa Conference can be expressed in terms of Customs schedules and tariff changes. The Conference afforded an opportunity for discussion and for agreement on many matters in which our countries face common problems. I refer to some of these.

Monetary Policy.

The representatives of all Governments were emphatic in describing the collapse in commodity prices, unprecedented in its suddenness, as the most serious aspect of the depression. This has wiped out margins of profit, causing industrial stagnation and unemployment. It has rendered fixed monetary obligations intolerable, and has necessitated most drastic measures of adjustment. By general agreement, first the raising of the general price-level, and then its reasonable stabilization, must be our objective. Ways and means of achieving this were discussed and a policy of co-operation with the United Kingdom was agreed upon.

The statement by the Chancellor of the Exchequer arose out of long and detailed consideration of a complex problem. It emphasizes the inadequacy of monetary action alone. Manipulation of the monetary system, attractive as this may be for its simplicity, cannot correct the highly complex difficulties in the economic world: this is certainly the agreed opinion, it is reasonable to say, of those qualified by experience and training to give a reliable opinion. Other factors, political, economic, and financial, have to be taken into account. Nevertheless, much importance is attached, on the monetary side, to continuing low rates of interest and an abundance of short-term money. That policy Great Britain is pursuing, and her leadership in the financial world enables her to play a part of unrivalled strength. World prices in terms of gold cannot be raised by any action that Great Britain or the Ottawa Conference could take. And while gold prices remain where they are, the return to gold on the part of the United Kingdom would be disastrous. There should be no haste in linking sterling with gold, and this, as will be seen, is agreed to in the report adopted by the Conference.

In reference to details of monetary policy it is true that the Conference did did not go very far; it did not go as far as many would wish. But at least it is to be said, and this was agreed by all, that such steps as were taken were in the right direction. It remains to implement these by action on a wider scale, and the world conference shortly to be held will be the place for that. Nothing was done at Ottawa which will stand in the way of effective action at that conference.

It is emphasized that the decline in prices in New Zealand, as elsewhere, has been more marked in *wholesale* than in *retail* prices. This disparity, the widening gap between wholesale and retail, is of first importance in discussing measures to restore prices to a profitable level. What we seek to restore is the wholesale-price level. And a rise in this does not necessarily mean an increase in the cost of living. In every country in which prices have recently collapsed it can be shown that at least a partial restoration of the wholesale price-level can be achieved not by raising retail prices, but by closing in part the additional gap that has recently appeared as between wholesale and retail prices.

Central Bank.

The control and organization of banking within countries of the Empire were discussed by the Ottawa Conference. These are not the subject of a specific resolution or recommendation: the view was taken by some that action in such matters was the responsibility of the respective Governments represented at the Conference. However, it was certainly the general opinion that some form of central control, such as that usually obtained by means of a Central or Reserve Bank, is important and essential.

New Zealand is almost unique in the British Empire in being without a responsible organization of this nature. The mobilizing of credit to ensure its most effective use, and the stabilizing of our currency in terms of sterling at the appropriate level, are problems in which the machinery of a Central Bank could materially help. I do not by any means imagine that it would solve all our problems. But after discussions at Ottawa with most competent authorities I am satisfied that the creation of a Central Bank in New Zealand will be a step in the right direction.

Cinematograph-films and Radio.

Apart from strictly monetary and economic questions, the Conference at Ottawa was concerned with other factors which affect the welfare of the Empire and in which co-operation can be helpful. The part played by the cinematograph in the everyday life of the people, its importance in conveying the traditions of the Empire, its almost inseparable connection with commercial development, called for the attention of the Conference. No part of the Empire can afford to allow this medium to remain in alien hands.

The resolution of the Conference favoured the encouragement of film production not in the United Kingdom alone, but, so far as practicable, in countries of the overseas Empire also.

This is a development in which our Dominion may well share. Incidentally I may remark that such New-Zealand-made films as we saw abroad, professing to represent New Zealand views, left very much to be desired.

Satisfaction was expressed with the results from our New Zealand legislation which is designed to encourage the exhibition of British films. This was regarded as a possible guide to other dominions, and, outside of the Conference, though arising from its deliberations, I had inquiries from responsible persons who are anxious to apply elsewhere the methods which have proved effective here.

The main Conference also had under brief review the recent developments of broadcasting. It discussed means for ensuring that programmes of general interest should be accessible to all parts of the Empire, and for assisting the interchange of facilities possible through mechanical recording and reproduction.

Shipping.

The Conference had under discussion some aspects of shipping competition which are of special concern to New Zealand. It is recognized by both Australia and New Zealand that British interests should be safeguarded against unequal competition, and this applies, of course, to New Zealand interests in the Pacific. All that is desired is that we should be assured of reasonably equitable conditions in trading. This matter is now the subject of communications between Governments.

In connection with the machinery for Imperial co-operation and consultation in London, two questions were reviewed at the Conference: (1) The future of the Empire Marketing Board, and (2) the possibility of co-ordinating, perhaps under some form of Imperial Economic Secretariat, the various Imperial bodies which from time to time have been set up.

The Empire Marketing Board in carrying out its work for promoting the sale of Empire products has been financed wholly by the United Kingdom. The justification for this has now disappeared with the granting of tariff preferences on Empire products imported into the United Kingdom, hence the matter arises for review. After consulting the representatives of our producers' Boards and ascertaining that they would be willing to make grants to ensure the continuance of the Empire Marketing Board's work, I gave an undertaking that assistance would be forthcoming. The representatives of the United Kingdom undertook that the present financial arrangements would continue until September, 1933, with the understanding that the whole position should be reviewed in the meantime.

As to co-ordinating the activities of existing Imperial bodies in London (towards some of which New Zealand makes monetary grants), it is pointed out that with eleven separate organizations, all dealing with matters of more or less economic character, there is a certain amount of overlapping, and a good deal is to be said in favour of linking them to some responsible central body. On the other hand, there would be a danger of interfering with the work of some of these if they were subordinated to a central body. No finality was reached in discussion of this matter, but it was decided that a small committee in London representative of the Governments concerned should consider "the means of facilitating economic consultation and co-operation between the several Governments of the Commonwealth." In this inquiry New Zealand will, of course, participate, but in general I think it may be said that the present position appears to us to call for no drastic change.

The Ottawa Conference was unique as an Imperial Conference in the fact that there were present a number of men representing our primary and secondary industries. From New Zealand we had Mr. David Jones, Chairman of the Meat Producers' Board; Sir Francis Boys, nominated by the New Zealand Farmers' Union; Mr. Goodfellow, for the Dairy Board and the Honey Board; Mr. Napier, representing fruit; Mr. Hamilton, for hops and tobacco; and Mr. Reid, for the New Zealand manufacturers. Mr. Forsyth, London Manager for the Meat Board, and Mr. Davis, of the Dairy Board, both came to Ottawa. This was a new type of representation, and a most valuable one.

At the Conference we were discussing every day and every hour vital matters that go to the heart of the industries on which depends the livelihood of every individual and the welfare of the State. To have these r presentativ s with us was a source of great strength to our small delegation. The New Zealand delegation was small in number, both of Ministers and of officials, compared with delegations from other dominions. But we were able, I think, to mak an effective contribution to the work of the Conference. I desire to pay a tribute to the splendid service rendered by our officials and by the advisers who accompanied us. No delegation could have had more competent and loyal help.

The Future.

I have given reasons for believing that the results of the Ottawa Conference will be an important factor in providing a very substantial help in restoring equilibrium and prosperity. Already a marked improvement in confidence is evident, and apart from immediate benefits, the success of the Conference lays a foundation for the future. While, however, we note with satisfaction the success achieved, we recognize that tasks of real difficulty still lie ahead.

Foremost amongst our economic problems is that of marketing our products. I do not belittle the importance of giving constant attention to production when I say that to-day the emphasis has moved from production to the effective marketing of our produce.

New Zealand will long look to the United Kindom to absorb the bulk of her exports—indeed, Great Britain's market is vital to our very economic existence—and for this reason we must be prepared to play our part in assisting her industries. At the same time it is incumbent upon our producers and manufacturers to search out and create new markets and new outlets for their products. Already useful assistance is being given by the Trade Commissioner service, and it is evident that in default of such service our exports will suffer. There are many activities in trade promotion which individual manufacturers and exporters cannot be expected to undertake—services which are essential in the general interest. This is a fact which is frequently overlooked when criticism is levelled against Government expenditure on Trade Commissioner services. It would be false economy to curtail these, particularly at a time when wider markets are our pressing need. It is now most urgent that our producers, manufacturers, and the Government should pool their efforts in establishing much-needed new outlets.

In the sphere of marketing, New Zealand primary producers are singularly fortunate in the fact that already their export interests are assisted by their own responsible Boards. The value of these bodies was clearly shown at the Ottawa Conference. Their representatives were able to speak with authority for the important primary industries; we were able to turn to them for information and consultation. No other part of the Empire was so fortunately placed as New Zealand in this respect, and it would be reasonable to say that the definite tendency is for other countries to work along somewhat the same lines as New Zealand in setting up producers' direct organizations. I cannot too strongly emphasize, in the light of the Ottawa Conference, the value of our primary producers' export Boards to farmers and to the Dominion as a whole.

One returns from the Conference impressed with the new importance now attached by the United Kingdom to her own farming industry. Its encouragement is accepted as a first object of State policy. Agriculture is not being left to take care of itself. It is being advanced by keen, competent officials and leaders, both in the farming industry and in political life. More than once in the course of this statement I have noted how directly the attitude of His Majesty's Government in the United Kingdom was influenced by the determination to assist the home agricultural producer. This changed outlook in the United Kingdom is of much concern to us in New Zealand.

In meeting competition and finding new markets the keynote to success for New Zealand producers will be attention to quality. At our instigation a sub-committee of the Conference was set up for the purpose of examining grading standards in relation to agricultural products. The suggestion was that action should be taken towards the adoption of uniform standards of grading, at least as far as minimum grades are concerned. This is now being followed up by all Governments interested.

I do not accept the view that overproduction is the basic cause of our economic troubles; and, while there are human needs unsatisfied, the deliberate curtailing of production as the way of bringing consumption and production into line would be a disastrous and defeatist policy. But for the present it is correct to say that, for primary producers especially, not the slogan "More production" but rather "More economical production" is the safer guide. That means a relentless search for more efficiency not on the farm alone, but in marketing and other co-operative organization. To take the dairy industry as an illustration, we are well advanced in having excellent co-operative dairy factories—the best in the world. But how much of the advantage is lost through overlapping and competition in collecting cream and milk, and through the co-operatives marketing in competition with one another? These are matters for attention. It is by adjustments of this nature that our farmers can reap the benefits of the arrangements made at Ottawa, and for this reason I refer to the matter here.

Though I have thus referred briefly to some of the problems that still face us, I think I can conclude my statement by claiming that the result of Ottawa represents a valuable achievement. Our exports are to be favoured, in part by increased preferences, guaranteed for a term of years, and in part by the regulation of foreign imports. The urgent need for raising and stabilizing the general price-level has been brought home to every one. Appropriate action along sound lines is being taken and will be continued to effect an adjustment, and already signs of improvement are evident.

The mere fact that agreement has been reached is itself a considerable achievement. It is seen to be an achievement when one calls to mind the great diversity and range of problems and conflicting interests that faced the Conference.

Representing one-fourth of the world's population, with different interests and races and creeds, the delegates were confronted by problems not less perplexing than those that confront so many independent nations.

The Ottawa Conference, as honourable members are aware, was preceded by the Lausanne Conference, where European nations were successful in removing at least some of their outstanding differences and difficulties. It is to be followed by a world conference. Nothing was done at Ottawa by representatives of the British Commonwealth of Nations which will prejudice the success of that world conference.

We were mindful, as I emphasized, of the urgent need for promoting world recovery. Ottawa was a step in that direction.

Finally, Mr. Speaker, I should like to add a personal note of sincere appreciation of the services rendered to New Zealand and the Empire by Mr. Downie Stewart. His judgment and capacity were valued by all who took part in the Conference. As he is still absent in London, I must take responsibility for the statement which I have just made to the House. If he were here he would join with me in thanking our colleagues here who carried on short-handed in our absence and gave us loyal support and encouragement.

I move, *That the Agreement between His Majesty's Government in the United Kingdom and His Majesty's Government in New Zealand do lie upon the table and be printed.*

Approximate Cost of Paper.—Preparation, not given; printing (500 copies), £22 10s.

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