

OVERSEAS NEGOTIATIONS.

The importance of adequate and expanding markets for New Zealand produce has already been referred to. On the average, consumption in the Dominion accounts for approximately half of our total production, and consequently any influence likely to improve or conversely to prejudice our overseas markets is one to which the Government must necessarily give the closest attention. Rapid advances have been made in the last few years in both the quality and quantity of our primary production, and there is no doubt that by a greater application of scientific methods our output per acre could be further substantially increased. It is therefore essential to our welfare that an expanding market should be available for our produce. The Government are aware, of course, that increased supplies beyond a certain point result in reduced prices, but investigations have shown that in none of our principal overseas markets is the consumption per head of the class of commodities which New Zealand supplies adequate to the maintenance of a reasonable standard of living. Conditions are improving in this respect as a result of increased purchasing-power, but there is still scope for a substantial increase in consumption.

Offer to United Kingdom Government.

Following a decision of the Government, I was privileged at the end of last year to visit the United Kingdom to discuss with the Government there the export policy of the Dominion. The actual offer which was submitted to the United Kingdom Government was as follows:—

(1) The United Kingdom, with minor qualifications, would be offered a full market in New Zealand for its manufactures and raw material equal in value to the balance of credits from sale of New Zealand products in the United Kingdom after providing for (a) shipping-charges, (b) "invisible" items, (c) debt services, and (d) a proportionate sum for the reduction of New Zealand overseas debt.

(2) If agreement could be reached, the United Kingdom in certain cases would be given the complete market in New Zealand for special manufactures of a type that were not produced in New Zealand. In certain cases New Zealand would give preference to United Kingdom manufacturers or producers desiring to install and operate plants in New Zealand for the production of commodities at present imported.

(3) New Zealand's secondary industries to be extended, but not by reducing the total volume of United Kingdom export trade to New Zealand.

Negotiations in connection with this offer are not yet complete, the United Kingdom Government showing a reluctance to admit an expanding quantity of the Dominion's primary produce, as conflicting to some extent with the policy of encouraging maximum local production of foodstuffs, the objective being that in time of war less reliance need be placed on overseas supplies. Negotiations are still being pursued, however, while the personal contacts which were made in London have given the negotiators a full understanding and sympathy with each other's viewpoints.

It was possible, however, during my stay in London to reach agreement in regard to beef, mutton, lamb, pork, and bacon, which together constitute not less than $33\frac{1}{3}$ per cent. of the total value of the Dominion's exports.

Quota allocations.

Previous discussion concerning beef centred around an allocation based on the 1935 figures, which would have meant an allocation of 45,800 tons. The negotiations which took place resulted in an increase of the allocation to 56,200 tons, and there is every possibility that further increases will be given in subsequent years.

Similar discussions took place in connection with mutton and lamb, the preliminary allocation being actually less than for 1936. The point was stressed with the United Kingdom authorities that, by limiting exports to such an extent, not only would considerable hardship be imposed on the Dominion, but the ability to purchase United Kingdom goods would be seriously prejudiced. As a result, it is satisfactory to be able to record that the allocation for 1937 was increased to 4,010,000 cwt., which is the highest allocation accorded to New Zealand since the