

and that this principle should be maintained and extended wherever circumstances justify this course.

As in the matter of protection for Dominion industries, the granting of tariff preference to British goods tends to increase the prices of commodities sold on the local market. As has already been stated in respect of protection, preference does not, however, of necessity and in all cases have this result.

In some instances the Commission is of opinion that the duties on foreign goods designed to assist Empire trade restrict the progress of and are a competitive disadvantage to local industries. Satisfactory evidence has been produced to show that, in certain cases, manufacturers in other parts of the Empire are able to use free-of-duty foreign materials and to manufacture therefrom goods which are admissible into this Dominion under the British Preferential Tariff. In competition with such goods, local manufacturers must either pay the duty imposed on foreign raw materials or purchase Empire materials at prices higher than those at which foreign materials could be obtained if admitted to the Dominion free of duty.

In deciding upon our recommendations as to the margins of preference which should be provided in respect of various classes of goods, we have been faced with much greater difficulty than exists in respect of the protective aspect of the Tariff. A great deal of information has been obtained both from witnesses and by Departmental inquiry, bearing upon such matters as f.o.b. prices and landed costs of competitive goods imported from British and from foreign countries. Such information, together with statistics showing the relative success or otherwise of British goods in this market, has generally enabled us to judge of the position existing in the various trades. As a general rule we have not, of course, been able to ascertain the actual costs of production of imported goods and, from that point of view, have found difficulty in assessing the measure of preference which is necessary as a protection to the British producers in each case considered.

In a few instances, the circumstances have been such that we have recommended reductions in the margins of preference, while, in a number of other instances, increases are suggested either by a reduction in the British Preferential rate or by an increase in the duty on the foreign article.

In relation to the Tariff generally we wish to point out that difficulties of classification and administration have, in some cases, influenced us towards a modification of what might otherwise have been recommended. It is quite clear that, not only from the point of view of efficient administration, but also in the interest of the trading community generally, the Tariff should, as far as possible, be so devised as to ensure simplicity of statement and the avoidance of the necessity of drawing fine lines of discrimination between similar classes of goods.

#### DEPRECIATED CURRENCY DUTIES.

The provisions made for the charging of these duties are not, under present conditions, in active operation.

The justification and necessity for the imposition of what are known as depreciated currency duties arise from the fact that when currency depreciation is taking place abnormal profits, arising directly from such depreciation, can be made on the export of goods. Evidence which we have received seems to indicate that this is not generally recognized and that the view is not uncommonly held that the mere fact that currencies have depreciated (either in relation to their par values or as compared with other currencies) calls for the imposition of countervailing duties. The abnormal profits already referred to result from the fact that the internal cost of production rises less quickly than the external value as shown by the exchange rates. Depreciated currency duties were therefore imposed in New Zealand at a time when certain foreign currencies were in course of depreciation and not for the reason that depreciation had taken place. Since reasonable stability has now been secured in respect of the currencies of countries exporting to New Zealand the necessity for the imposition of this special class of duty has ceased.

The Commission considers, however, that in order to provide for any recurrence of abnormal currency conditions in overseas countries the legislation on this matter should be allowed to remain in force.