

we think, are soon worked out. The home price of raw materials subject to world parity immediately rises in proportion to the amount of the depreciation, and the same effect is produced in the case of imported raw materials, plant, and other commodities. At a later stage the general level of wages will probably be higher than it otherwise would have been, because the cost of living will be higher than it otherwise would have been on account of the currency depreciation, while some of the effects of depreciation will be diffused generally in ways that elude specific identification, but how soon and to what extent this will happen cannot be definitely ascertained in advance. Admittedly, with long-period charges on industry, such as the cost of fixed capital, long-term mortgage loans, rates, rents, and certain other elements of overhead, the period of adjustment to the new currency values may be prolonged indefinitely, but we know of no statistical method of determining how long this period would be, or what proportion of the whole it would amount to, so that no data are available for determining what the compensating effect upon the tariff rates should be. Any tariff compensation would be arbitrary in character, or at all events devoid of a definite statistical basis. Our opinion is that within a comparatively short period the depreciating process produces the major range of its effects. If this is so, then a reduction in our tariff rates by a given percentage to compensate for the raising of the exchange would do serious injustice to our manufacturers, and would remove some if not all of the protection which they are intended to enjoy under the existing tariff.

6. We are of opinion that it is undesirable and impracticable to make the grant of tariff protection subject to an undertaking that the prices of commodities produced by the protected industry shall not be raised. Circumstances quite outside the control of the parties giving such undertakings may make it impossible to carry them out, notably alterations in the ownership and control of the concerns affected, changes in productive or distributive organization and technique, and currency fluctuations either as the result of local conditions or initiated from abroad.

7. With respect to the General Tariff we have in most cases suggested that the margin of preference be left at the present level. So far as many commodities are concerned we think that these rates of duty are too high and should, subject to the Ottawa Agreement, be reduced as soon as circumstances permit. We, however, recognize that the last few years have brought great changes in the sphere of international trading relationships. Nations in their endeavours to obtain markets for their products are willing to make concessions by tariff adjustments and by other means. New Zealand, dependent as she is for her exports upon her primary products, is in urgent need of new markets for her goods, especially in the more highly industrialized countries of the world. We think, therefore, that the General Tariff rates should be reduced on the goods of countries which are willing to make concessions on our products.

Another matter concerning the General Tariff that formed the subject of representations to the Commission was the question of imposing or increasing duties thereunder on raw materials required by the industries of New Zealand. As a general rule we do not favour this. We think that our industries should be able to obtain their raw materials at as low a cost as possible.

8. Many representations were made to the Commission asking that higher duties should be imposed on certain goods imported from the Dominions than from the United Kingdom. We have not, generally speaking, made recommendations with respect to these matters because trade between New Zealand on the one hand, and Canada, Australia, and South Africa on the other, is regulated by Agreements or Arrangements. We think that questions of the kind now being dealt with should be settled by negotiations between the Governments concerned.

9. We think that attention should be drawn to Article 12 of the Ottawa Agreement under which goods imported from the non-self-governing Colonies and Protectorates of the British Empire enjoy the same measure of tariff preference as is accorded to the products of the United Kingdom. In the event of industrialization proceeding at a rapid rate in some of the Eastern dependencies, the low production costs there might enable goods to be landed in New Zealand at very low prices. This might prove an embarrassing problem at some future time.

10. Many representations were made to the Commission with respect to the importation of Japanese goods into New Zealand. It was stated by some witnesses