

There is another side—and a very important one—to these Agreements—viz., the extension of markets for our products in Empire countries. The advantages we received under the Ottawa Agreement are too well known to require recapitulation, and I do not at present propose to go into details. The Agreements with Canada and Australia have on the whole proved satisfactory, and they have provided means for the disposal of our products in those countries. There is one point in connection with the Australian Agreement to which attention should be directed: Many witnesses who appeared before the Tariff Commission pointed out that, with respect to certain goods exported from New Zealand to Australia and not specifically mentioned in the Agreement, higher rates of duty were charged than those on similar goods imported from Australia into New Zealand. Provision is, however, made in article 9 of the Agreement under which either country can request the other to admit any lines of goods at the rate applicable in the country of export. If the request is not complied with within three months, the country making the request can impose on the goods of the other country a rate of duty not greater than that charged in such country under its British Preferential Tariff.

It is the intention of the Government to take advantage of every opportunity of extending the policy outlined above by making trade agreements with other self-governing dominions. Certain preliminary negotiations have already taken place but it is not possible at present to give details of these.

IV. COLLECTION OF REVENUE.

An important object of the New Zealand Customs Tariff is the collection of revenue. The amount received during the last financial year was approximately £6,485,000. This formed about 38 per cent. of the total taxation revenue of the Dominion. Generally speaking, it has been found necessary to retain revenue duties at their present level. In some cases, however, it is considered that the existing rates of duty are having an adverse effect. It is proposed in such cases to make reductions which it is hoped will have the effect of increasing the revenue.

After a consideration of the increases and decreases made in the rates of duty, and the probable increase in trade due to the stabilization of the tariff and the improved conditions generally, it is estimated that the effect of the modifications on the items affected will be an increase in the revenue of about £90,000.

There are certain general matters which I propose to discuss briefly.

CURRENCY FLUCTUATIONS.

The relation of fluctuations in the currency of various countries to tariff protection is one of the matters that have been receiving the consideration of the Government. It is generally recognized by economists that when the currency of a country is depreciating an advantage accrues to manufacturers in that country, but that, sooner or later, after the exchange has been stabilized, internal conditions adjust themselves to the influence of external conditions. Some factors which enter into production costs undoubtedly adjust themselves more slowly than others, and it is impossible to say when complete adjustment has taken place. It is evident, also, that the prices of imported raw materials, plant, &c., and of many local raw materials immediately tend to respond to the effects of exchange modifications. From information supplied to me I am satisfied that in the majority of cases raw materials form at least 50 per cent. of the total factory cost of goods manufactured in New Zealand, and insofar as the manufacturer's costs are increased by the influence of the exchange on such materials his advantage to that extent is immediately lost.

When these conditions, following depreciation of the currency, have been in operation in a country for some time it is impossible to say with any degree of accuracy the extent of the adjustment which has taken place. Hence it is considered impracticable to deal satisfactorily with the question by means of a tariff, particularly in a comparatively low tariff country like New Zealand.