

if and so far as this preferential treatment is capable of leading to actual trade, and as a further indication of attitude of the Canadian Government towards New Zealand trade I understand in new Candian Tariff an increase of 4 cents a pound has been imposed on New Zealand meat.

6. The New Zealand Government's action has not been taken as you assume on any special grounds of reciprocity, but as I have already explained on the ground that New Zealand Government are not disposed and indeed cannot afford to make remissions of taxation without corresponding advantages. It is their policy to encourage importation of goods from those countries which themselves are prepared to purchase New Zealand products. The New Zealand Government have, however, attempted to retain a true reciprocity with Canada by providing for a remission of customs duties on Canadian goods estimated to be at least equal to Canadian remission of customs duties on New Zealand goods.

7. I have noted with interest your comment with reference to Canadian purchases of wool and I trust with you that outlook in respect of this commodity is promising. I have observed, however, that even on your suggested potential importation of 24,000,000 pounds of wool and even assuming that a price of 9d. a pound (which is considerably above present market price) the value of that trade would be less than 1,000,000 pounds (sterling) per annum. This would scarcely seem to confirm your statement that direct Canadian purchases of New Zealand wool will in the near future equal New Zealand's former butter trade with Canada which, as you are aware, reached nearly three times that value in 1929-1930.

8. I appreciate difficult position created between the two Dominions. It is the view of His Majesty's Government in New Zealand that this difficulty is due solely to the action of the Canadian Government in taking drastic steps against New Zealand butter trade before any possibility of negotiations was afforded to the New Zealand Government, and to the Canadian Government's reluctance to enter into effective conversations. The difficulty is one which the New Zealand Government for their part are entirely willing to attempt to remove as soon as the Canadian Government find it possible to undertake definite negotiations to that end, and, as already advised, His Majesty's Government in New Zealand would welcome an early visit by a Canadian Minister for that purpose.

9. Finally may I point out that Session of New Zealand Parliament which opens at the end of this month will certainly be adjourned by November next and probably at an earlier date, and that, therefore, the implementing of any Agreement not completed in time for action at this Session would necessarily be delayed until Session which should normally commence in June, 1932.

10. I have no objection to publication of this telegram and I propose to publish here should circumstances render it desirable at a later date.

FORBES