

Government, notwithstanding New Zealand Government's anxiety to dispose of the question at an early date, contemplated the possibility of deferring conversations until meeting of proposed Economic Conference, which, at its earliest, would have rendered impossible the implementing of any consequent agreement until meeting of New Zealand Parliament in June, 1932.

3. I note with pleasure the indication which may, I think, be inferred from the second paragraph of your telegram that Canadian Government do not regard themselves as precluded from making a concession on New Zealand butter. Neither at Ottawa nor at London, nor indeed at any time subsequent, was I given any definite indication that such a concession could be made, and though my telegram of the 18th March last specifically notified the Canadian Government that action now taken could be postponed only if Canadian Government found such a concession to be possible, your reply of the 14th May gave no indication of anything beyond a "continuance" of preference. The New Zealand Government will, of course, be happy to learn, whenever Canadian Government consider the time appropriate, what concessions they propose to make.

4. His Majesty's Government in New Zealand cannot agree that an abnormal trade situation was created by the importation of New Zealand butter into Canada in 1929-1930 or that butter was, as suggested, being rushed into Canada to take advantage of prevailing low rate of 1 cent. The figures for that year indicate merely the progressive annual increase since New Zealand butter was placed upon an equal footing with Australian butter in 1925. Even, however, if situation could be regarded as abnormal the Canadian Government will no doubt have noted:

(a) That importations in no way amounted to dumping; New Zealand butter entered into normal competition with other (including domestic) butters on Canadian market after paying all freight and incidental charges from New Zealand and without any subsidy or bounty obtained or granted in New Zealand.

(b) That notwithstanding importation of New Zealand butter in 1929-1930 Canada still enjoys a balance of trade over New Zealand.

5. I note your contention that Canadian action in respect of New Zealand butter cannot properly be regarded as penal. You must allow His Majesty's Government in New Zealand to retain their belief that imposition of prohibitive tariff duty on New Zealand butter which was not imposed generally on all butter importations and which has had the effect of terminating the importation of New Zealand butter while stimulating importations of butter from another source may rightly be regarded as a penal measure. It may well be that Canada, as you state, is today granting its British Preferential rates on all products. Where, however, the British Preferential rate is not the lowest rate and is in itself prohibitive it is a matter of little moment what higher rates may be fixed. As you have already been advised the New Zealand Government can attach importance to preferential treatment of their products only