

goods through other countries; on the other hand there are considerable purchases by New Zealand of Canadian goods through other countries. The position generally appears to His Majesty's Government in New Zealand as follows:

(i) On the decision of the Canadian Government in April, 1930, to denounce the then existing arrangement under which New Zealand butter was allowed entry to Canada on the same terms as Australian butter, namely, 1 cent per pound, the New Zealand Government, after calling attention to the heavy balance of trade in favour of Canada, immediately agreed with suggestion (and has continued to urge) that direct negotiations should take place between the two Dominions and requested that matter be left *in statu quo* until conversations could be initiated.

(ii) As the Canadian Government were apparently unable to send a Minister to New Zealand for negotiations it was agreed that conversations should be opened during my presence in Canada in September en route to the Imperial Conference.

(iii) In the meantime, however, the Canadian Government thought it desirable to make effective the proposed increase in the tariff on New Zealand butter from 1 cent to 4 cents.

(iv) In addition, on day of my arrival in Ottawa, this rate of 4 cents was increased to 8 cents.

(v) Notwithstanding increase of 700% in Canadian tariff on New Zealand butter, Australian butter continued for a lengthy period to be admitted at the old rate of 1 cent a pound, and (it is understood) is still being admitted at a much more favourable rate than New Zealand butter.

(vi) It is understood also that the Canadian Government, in addition to this increased tariff rate on New Zealand butter, are imposing a dumping duty of a novel character if butter is sold or landed below a price arbitrarily fixed by the Canadian Government.

(vii) As direct result of these penal measures the export of butter from New Zealand to Canada has been almost completely terminated. The inference that New Zealand butter still enjoys benefits of British Preferential rate is clearly illusory, that rate having now been fixed at such a figure as to be prohibitive.

(viii) Conversations at Ottawa were entirely ineffective, the Canadian Government being unwilling to alter their increased tariff on butter and not yet in a position to enter into detailed tariff negotiations in general.

(ix) Further conversations in London were equally ineffective.

(x) Subsequent communications indicate that New Zealand Government's willingness to continue negotiations and their invitation to a