The Treasury Department certainly shares Congressman King's interest in increasing the export potential of U.S. producers and improving our trade balance. Thus, although we believe it would not be desirable at this time to take any of the actions proposed, we do believe that this matter should be examined in the context of the above-mentioned trade policy study.

Sincerely yours,

(Signed) Fred B. Smith
FRED B. SMITH.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., April 23, 1968.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
House of Representatives.

DEAR MR. MARTIN: This is in response to your request of February 15 for our views and comments on a proposal by the Honorable Cecil R. King to further reduce and/or eliminate tariffs in certain areas such as the aircraft and aircraft components sector between the United States and Canada, including the possibility of waiving the staging requirements on Kennedy Round Concessions.

This Department has no specific information on trade in the aircraft industry and thus does not have direct knowledge of the present state of United States-Canadian trade in aircraft and aircraft components or how this relates to trade with other aircraft producing nations or with American export trade generally. We therefore would prefer to withhold our comments until the facts on the industry's trade are developed by the agencies directly concerned. At that time the Department would be pleased to comment within the context of its continuing and active interest in the expansion of United States trade.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

JOHN A. SCHNITTKER,
Under Secretary.

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS,
EXECUTIVE OFFICE OF THE PRESIDENT,
Washington, April 22, 1968.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. MARTIN: Thank you very much for providing an opportunity to comment on Congressman King's letter to you of February 13.

Congressman King's objective to strengthen trade ties between Canada and the United States through the elimination or reduction of duties is fully consistent with our policy over the last 30 or more years. It is very interesting to note from the latest available data that a substantial amount of the total trade in both directions is already duty-free. More than two-thirds of Canada's exports to the United States come into our country free of duty, and something less than two-thirds of our exports receive similar treatment in Canada. The Kennedy Round results, when fully implemented in 1972, will increase both of these percentages. These results testify to the continuing policy of both governments in freeing trade between them. The study of future trade policy, which I have been commissioned to make by the President, will of course include the advantages of further trade liberalization between the two countries.

An analysis of our import trade data reveals no tariff classification of aircraft or parts where Canada has traditionally been the predominant supplier. Consequently, new duty reductions in this sector, as well as acceleration of concessions to which we are already committed, will largely benefit third country suppliers through operation of the most-favored-nation rule on which our trade policy is based. Since Canada is not an important supplier of aircraft and parts, she has chosen to waive duties on most of such imports from the United States. In strictly trade terms, the unrequited benefits which will accrue to other countries far outweigh any advantage that might be anticipated from the pro-

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