posal for either the United States or Canada. Nor would it be consistent with our trade policy to contemplate purely bilateral duty-free treatment or acceleration of concessions.

However, it may be possible that there are sectors of trade in aircraft and parts, narrower than our existing tariff classifications, where the interests of both countries would be served by the kind of actions here contemplated. Such analysis will, however, depend on statistics not now being regularly collected, and these would have to be specially requested. Comments from industry and labor may well show where an effort might most profitably first be concentrated. We would be very happy to assist in an investigation of this matter.

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

Sincerely yours,

William M. Roth,
Special Representative.

Department of State,
April 22, 1968.

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

Dear Mr. Martin: As requested in your letter to the Secretary of February 15, 1968, the Department of State has carefully examined the proposal to further reduce and/or eliminate tariffs between the United States and Canada on aircraft and aircraft components. As suggested in Congressman King's letter of February 13, 1968, a copy of which was enclosed with your letter, we have particularly considered the desirability of Congressional waiving of the staging requirements for United States Kennedy Round tariff concessions on aircraft and aircraft parts. We have also studied the possibility of future negotiations with Canada and other aircraft producing countries.

Prior to and during the Kennedy Round of trade negotiations, United States officials held discussions on several occasions with representatives of the United States Aircraft industry to discuss various possible approaches to trade liberalization affecting aircraft and components. We have also discussed this subject with the Government of Canada and the Governments of other principal aircraft producing countries.

United States negotiators in the Kennedy Round used the maximum authority available under the Trade Expansion Act of 1962 to reduce by 50 percent United States tariff rates on aircraft and parts. When United States Kennedy Round concessions are fully effective in 1972, our rates on aircraft and parts will be in the 4–5 percent range. Similarly, our major trading partners also made substantial reductions in their duties on these products.

Canada agreed to reduce its rates from 15 percent to 7½ percent. However, since 1952, aircraft and parts of types and sizes not made in Canada have been permitted duty-free entry into Canada. In practice, this has meant that all four-engined commercial aircraft and most smaller planes and components have been granted free entry. Thus, the Canadian barriers to imports of aircraft have not been very significant and are even less so after the Kennedy Round.

We understand that at present approximately 80 percent of total United States imports of aircraft and parts from Canada are procured by the Department of Defense under the United States-Canada Defense Production Sharing Program and enter the United States free of duty. Thus, further reduction or elimination of tariffs would affect only imports of Canadian commercial aircraft and parts. Regarding parts which are partly processed in the United States and further processed in Canada, the duty is charged only on the value of such processing done outside the United States. We believe this provision in item 806.30 of the Tariff Schedules of the United States further significantly eases the burden of United States importers of aircraft parts from Canada.

The United States Kennedy Round tariff concessions on aircraft and parts are being implemented in five annual stages with the final rate scheduled to be effective on January 1, 1972. The Department would have no objection if Congress were to waive the staging requirements set forth in the Trade Expansion Act of 1962 so as to permit putting the final rate for aircraft and parts into