The Department of Labor favors efforts to enlarge our trade relations with Canada. We would have no objection and see no serious problem from the point of view of labor in undertaking discussions within the U.S. looking toward negotiation of further mutual reductions and/or elimination of tariffs on aircraft and aircraft components predominently traded between the United States and Canada. We would expect that any such negotiations would be subject to the pre-negotiation provisions of the type contained in the Trade Expansion Act and to tariff adjustment and other adjustment assistance remedies to cover possible future adverse situations.

In regard to the elimination of the staging requirement of the duty reductions made in the Kennedy Round, most commercial aircraft components imported into the United States from Canada are presently dutiable at eight percent, which rate is scheduled to be reduced in annual stages to five percent by January 1, 1972, We would have no objection to Congressional action to eliminate the staging requirement on aircraft and aircraft components predominantly traded between the United States and Canada.

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

Sincerely,

(S) WILLARD WIRTZ,
Secretary of Labor.

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., May 31, 1968.

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

DEAR MR. MARTIN: This is in further reply to your letter of February 15 requesting the views of the Department of Commerce on a proposal of the Honorable Cecil R. King to further reduce or eliminate tariffs between the United States and Canada in certain areas, particularly the aircraft and aircraft components sector. Representative King's proposal outlined in his letter of February 13, also stressed the importance of waiving the staging requirements for the Kennedy Round concessions in this sector.

The promotion of free trade between the United States and Canada has been receiving increased attention by private groups in recent months. Some of these groups have recommended that the two nations move towards a broad free trade arrangement. As far as this Department is aware, these proposals have not received any official support by the Canadian Government although Canadian officials have indicated on occasion that global free trade in certain commodity sectors might be desirable. Similarly, these has been no recent detailed study of this subject within U.S. Government circles. However, the possibility of free trade between the two countries will be among the topics considered in the trade policy study being conducted by the President's Special Representative for Trade Negotiations.

Over the years the two nations have gradually moved towards free trade with each other. About 70 percent ($4.9 billion out of $7.1 billion) of United States imports from Canada entered the United States duty-free in 1967. In the other direction, over 50 percent of Canadian imports from the United States entered Canada free of duty in 1965 and, although data for 1966 and 1967 are not yet available, it is estimated that this ratio has risen to about 60 percent. The Automotive Products Trade Act of 1965 provided a significant step toward free trade between Canada and the U.S. in motor vehicles and original equipment parts and has contributed importantly to the rise in the volume of duty-free trade between the two countries in recent years. The volume of free trade between the two countries will rise further as the duty eliminations agreed to in the Kennedy Round become effective.

Establishing free trade in sectors or for specific commodities, as proposed by Representative King, is a goal that was pursued in the Kennedy Round for a number of the items. Generally, these items were those for which U.S. negotiators had authority to eliminate duties of 5 percent or less, and for which Canada had been carrying rates as high as 20 percent. Included among the categories on which both countries eliminated duties (or where one country matched the duty-free treatment granted by the other) were softwood lumber, coal, natural gas, certain fish, hay, straw, certain seeds and plants, fresh apples,