maple syrup and sugar, cement, lime, certain salt, pig and sponge iron, and certain paper products.

From all reports received so far, the Department considers that the efforts in the Kennedy Round to eliminate duties with Canada were quite successful, given the limited authority of the Trade Expansion Act of 1962 to eliminate U.S. duties. With this experience, which indicates that successful bilateral negotiations are possible, the Department would welcome authority to negotiate further elimination of duties with Canada on a reciprocal basis.

Although a waiver of the GATT obligations to provide most-favored-nation treatment to other GATT member nations was obtained in the case of the U.S.-Canada Automotive Products Agreement, that Agreement dealt with exceptional circumstances and a unique rationship between the United States and Canadian automobile industries. As a practical matter, it does not appear feasible to obtain additional waivers even though negotiations with Canada would encompass only products traded primarily between the two countries. Considerable analysis would, of course, be required to ascertain the products which might be appropriate for a negotiation of this type.

As to aircraft and aircraft components, the area of specific interest to Representative King, there are considerations applicable to aircraft which are not applicable to components. Foreign competition for aircraft comes chiefly from Western Europe, and the Department does not think it would be desirable to eliminate the U.S. duty on aircraft manufactured in Western Europe unless we could obtain similar treatment for U.S. aircraft in the markets of our competitors.

The aircraft components sector is complex in that the United States imports aircraft components from a number of countries. Imports in this sector in 1967 totalled $155 million. As in the case of aircraft, the Department would find it difficult to support elimination of duties on all aircraft components unless we could obtain reciprocal treatment in the markets of countries supplying components to the U.S. market. However, it would appear possible to limit an agreement with Canada to components being traded between the two countries, for which there is no serious competition from Western Europe.

The United States imports more aircraft components from Canada than it exports to that country, but the bulk of these imports has been for the use of the United States Government and therefore have been duty-free. For this reason, free trade on such components from Canada would not be expected to have a serious impact on our domestic industry.

Most commercial aircraft components imported into the United States from Canada are dutiable at 8 percent, which will be reduced to 5 percent as a result of Kennedy Round concessions. Most United States exports to Canada enter that country duty-free under an official suspension of duty. If applied, this duty would be 13½ percent. This rate will be reduced to 7½ percent as Kennedy Round concessions are implemented. Canada can, of course, legally impose its duties at any time up to the level of its trade agreement obligations.

Regarding the elimination of the staging of duties on aircraft components, the present rate of 8 percent, which went into effect January 1, 1968, will be reduced to 7 percent on January 1, 1969, to 6.5 percent on January 1, 1970, to 5.5 percent on January 1, 1971, and to 5 percent on January 1, 1972. Given the present date and the time which would be necessary for legislation to be considered and approved in the Congress, it would appear that the most realistic effective date for any possible elimination of staging would be towards the beginning of 1969 or thereafter, when the staging will involve only a reduction of two percentage points.

The Department considers that where staging would have little or no adverse effect on the competitive position of domestic versus imported products, it serves no useful purpose. In fact staging under these circumstances may be counterproductive in that cost savings to U.S. purchasers through reduced tariff rates are delayed. The Department would therefore have no objection to considering the waiver of the staging requirements for aircraft components, provided the issue were subjected to public hearings so that interested parties would have an opportunity to express their views.

All of the Department's statements assume that any agreement would be negotiated in accord with these provisions of the Trade Expansion Act which provide for public announcement of negotiations, public hearings on items for negotiations, Tariff Commission advice and escape clause provisions.

In summary, the Department of Commerce strongly favors continuing efforts to promote United States-Canada trade and is of the opinion that the proposal of