



U.S. Department of  
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# News:

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BUFFALO FRIENDSHIP FESTIVAL  
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Winston Churchill once declared the United States and Canada "an example for every country and a pattern for the future of the free world." Indeed, our close ties predate Canada's own independence by more than a half-century. In places such as Buffalo-Fort Erie, thousands of Americans and Canadians routinely travel across the border on a daily basis. Ours is a deep friendship that is not sustained by building walls or shutting citizens in or out.

More than just a border, we share a common heritage of democracy that was fortified by our frontier experiences. Let us not forget that Americans and Canadians fell together at places such as the Plains of Abraham in our earlier history. The young men of our two nations have fought side-by-side in two world wars, and today our armed forces stand together, ready to defend the North American continent against any foe. It is through our mutual, deep commitment to freedom that we have weathered our histories' most tumultuous times.

Nowhere is our cooperation more evident than here along the Great Lakes and the St. Lawrence Seaway. Since LaSalle's first voyage throughout the Upper Great Lakes, we have been partners in preserving the inland seas. The Seaway, now in its thirtieth year of operation, will carry more than 40 million metric tons of cargo this year, continuing a recent upward trend in shipments. This is occurring in part because joint U.S.-Canadian trade missions have traveled to ten European nations over the past four years to promote the Seaway as a safe and efficient route to the North American heartland.

Part of the attraction of the Great Lakes is the maintenance and protection provided by the U.S. and Canadian Coast Guards. Here on the lakes, the two Coast Guards operate practically as one unit. For example, we share ice-breaking duties and each Coast Guard calls freely on the other for assistance.

As many of you know, the United States and Canada are the world's largest bilateral trading partners, exchanging more than \$120 billion annually in goods. More than 20 percent of U.S. exports go to the Canadian market, while about three-quarters of Canadian exports come to the United States. In the Buffalo area alone, the Chamber of Commerce estimates that 10-15 thousand jobs are tied to cross-border trade. The U.S. International Trade Commission estimates that in 1984 some 2.5 million jobs in the U.S. and Canada were involved in our bilateral trade. That number has doubtless grown substantially since then.

Still, completely free trade practices have eluded us for more than 130 years. In 1854, the United States and what was then called British North America agreed to trade fish, coal, and farm and forest products freely. That treaty, however, was terminated in 1866, and generally high tariffs lasted until World War II.

In March 1985, at the "Shamrock Summit," Prime Minister Mulroney and President Reagan agreed that we should find a way to eliminate trade barriers. On January 2nd of this year, our leaders signed a historic Free Trade Agreement. As President Reagan stated: "The people of the United States and Canada have had a long and harmonious friendship that is the envy of the world. Now, in addition to sharing the world's longest undefended border, we will share membership in the world's largest free trade area." If approved by the Canadian Parliament and the U.S. Congress, this agreement will take effect next January. Within ten years of that date, almost all tariffs between our two countries would be eliminated, along with various non-tariff trade barriers such as import licenses.

We already know the benefits of free trade. Three years ago, the United States began phasing in a free trade area agreement with Israel. U.S. exports to Israel rose more than 12 percent from 1985 to 1986, and Israel's exports to the United States increased 10 percent.

Canada and the United States will similarly benefit from our free trade area. This historic agreement will result in more economic growth, more trade, more jobs and lower prices for both of our countries. It will also give North America a competitive edge in the world economy. A study by the Canadian Department of Finance estimates that the trade agreement would result in a 10.5 percent jump in manufacturing output and a 3.5 percent increase in exports for Canada. The agreement could also add as much as \$45 billion annually to the U.S. economy, or about one percent of GNP.

Amidst a dangerously rising tide of protectionist sentiment, this agreement is truly revolutionary. It will serve as an example for the rest of the world, proving again the benefits of open markets. It will pressure trade negotiators worldwide to produce substantial market-opening measures. Those nations that continue to follow the destructive path of trade protectionism will be left far behind the nations that pursue an open-market strategy. This fundamental truth was reaffirmed at the Toronto Economic Summit last month.

Although transportation is excluded from the Free Trade Agreement, the agreement will have significant positive implications for most forms of transport. As trade in goods and services expand, we can expect steady growth in movements of both passengers and cargo between our two countries. Fortunately, the U.S. and Canadian transportation systems are quite compatible and therefore well prepared to handle this traffic.



In fact, when a transportation annex was being considered for the Free Trade Agreement, we were scratching our heads to think of ways to improve rail relations. Aside from customs procedures, railroads operating in the U.S. and Canada act almost as if there is no border. Canadian railroads own several U.S. rail lines, and U.S. railroads own some in Canada. The Rail Association of Canada is a member of the Association of American Railroads and Canadian railroads have full standing with the Interstate Commerce Commission in regulatory proceedings. So, in the rail business, Canadians are treated no differently from Americans.

I can't speak of the rail industry without paying homage to Canada's deregulatory National Transportation Act of 1967. In the late seventies, when we Americans were drafting our Staggers Act -- the legislation that saved our rail industry -- we looked to the Canadian Act for guidance, and our Congress at the time was convinced of the value of deregulation largely because of the Canadian experience.

We were able to return the favor when deregulation of the U.S. trucking industry in 1980 permitted our Canadian colleagues to observe and learn from our experience. Canada's sweeping National Transportation Act, which came into effect this year, introduced trucking regulatory reforms similar to our own. With the eventual elimination of freight rate regulation, I foresee a fully integrated, efficient and competitive North American trucking market emerging over the next decade, to the benefit of both economies.

The U.S. and Canada also have a dynamic aviation relationship, and both sides are still working on ways to improve it. Our aviation relationship is governed by the Air Transport Services Agreement, which our two countries signed in 1966, and by a later agreement, signed in 1974. Last year, over nine million passengers flew between our two countries.

In 1984, we opened the border for the commuter airline industry to an extent that is unparalleled in the world. Then in 1986, Montreal's Mirabel and California's San Jose International airports were chosen for an experimental project for which there would be no restraints on pricing, the number of airlines, or the number of flights.

Our aviation relationship is good evidence of our mutual trust and understanding. For instance, although technically we regulate air fares between our two countries, it's basically a hands-off arrangement. There is very little second-guessing, and the air fares for flights between our two countries are determined by the marketplace. Now we must work on deregulating routes and opening up new destinations on both sides. We have to duplicate for our commercial carriers what we've already done for our smaller planes.

With millions of economic and social transactions taking place between Canada and the U.S. every year, it's important that transportation officials work closely together. When I was Deputy Secretary of Transportation, my Canadian counterpart, Deputy Minister Ramsey Withers, and I established the United States-Canada Consultative Forum. This forum is held annually by senior transportation officials from our two countries for the purpose of exchanging information and advising each other on major policy developments. My successor as Deputy Secretary, Mimi Dawson, recently returned from Quebec, where she led the U.S. team for the fifth meeting.

We all know how easy it is to take good neighbors for granted -- but this festival, besides providing a lot of fun for families and friends, acknowledges the supreme importance of our two countries' partnership and commitment to safeguarding freedom. I would like to pay tribute to our two leaders, Prime Minister Mulroney and President Reagan, who have given all of us increased prosperity and new opportunities.

The Free Trade Agreement, if implemented, will be a milestone in our historical friendship. Prime Minister Mulroney has demonstrated great foresight and tenacity in his pursuit of this agreement, as has President Reagan.

While it is important to preserve our independent cultures, it is equally important to appreciate the bonds between us. I think the successes that our two countries have shared in the past indicate that we can move forward with the Free Trade Agreement, and enhance our partnership, without compromising the individual character of either nation.

Thank you very much. I wish all of you a happy and safe Canada Day and Fourth of July.