

## **H & K Communications**

72 Elvaston Avenue  
Nepean, Ontario  
K2G 3X9

Phone: (613) 829-1800  
Fax: (613) 829-2449  
E-mail: [hturkow@rogers.com](mailto:hturkow@rogers.com)

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**INTERVIEW: PM STEPHEN HARPER**

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Phone (613) 829-1800 Fax (613) 829-6181 E-mail [hturkow@home.com](mailto:hturkow@home.com)

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DAVID ASMAN (Host): Are you all ready?

STEPHEN HARPER (Prime Minister): I'm ready.

ASMAN: How's the Conservative Party doing, by the way?

HARPER: Good.

ASMAN: Yeah?

HARPER: Well, we're the largest party now.

ASMAN: See these people....

HARPER: Oh, I know.

ASMAN: They'll win you the next election. (laughs)

HARPER: Yeah, that's what they tell me. That's what they tell me.

[begin interview]

ASMAN: Mr. Prime Minister, thank you for being here.

HARPER: Nice to be here David. Thanks for having me.

ASMAN: Well, it's our pleasure. You know, for years, for decades really, the United States has looked up north as the place that always runs to the government for solutions. Now we seem to be the country that's doing that. Do you look at that as somewhat ironic?

HARPER: Well, it is ironic, particularly if you look at something like the financial sector where, you know, we've historically had tighter regulation, a little more government control – not government ownership – but now we're actually going to be in a period where that's prevented the worst aspects of some of the problems you've had here. So, look, I actually think now it's... you know, I can see... I can see an era coming where we may be a less government country the way things are unfolding.

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ASMAN: It's true. It's true. Of course with one exception being healthcare...

HARPER: Yeah.

ASMAN:... which we can talk about in a second, but... You have said in the past, and I tend to agree with you, that one of the main factors that led to the Great Depression was protectionism.

HARPER: Absolutely.

ASMAN: Uh, the Smoot-Holly Act and then a worldwide protectionist trade war that took place. Do you see any signs that we may be heading in that same dangerous direction now?

HARPER: Well, we are very worried about that. And, you know, obviously there was the controversy around the Buy American provisions in the stimulus package. But we've seen other moves in other countries that would suggest a gradual opening towards protectionism and, look, we all know as political leaders there's all kinds of political pressure to adopt protectionism at a time of recession. But this is a huge worry. I had a good chat with President Obama next (sic) week. I think he... he clearly understands that protectionism is a massive danger right now and so I'm confident that at least President Obama will help push the world in the other direction.

ASMAN: Of course of the rhetoric on the campaign trail was, as you well know, that we might have to reopen NAFTA etc., that we'll renegotiate trade agreements that are existent. What did he say about that?

HARPER: Well that was, as you know, that was very worrisome although I did notice that there was much different rhetoric during the campaign than during the primary....

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ASMAN: As one of his advisers said during the campaign.

HARPER: ...during the primary season. Look, we always know... I mean, there is a perpetual pattern in American politics that we notice north of the border, and that's the fact that the administrations tend to be more for open trade, for free trade, and Congress tends to be protectionist. And, you know, I think it's just important for us all to remember, when we sat around the G20 table last November and agreed that we would all do stimulus, we understand we have to do that not just to stimulate our own domestic economies but to stimulate the world economy because we are in a global economy and if we retreat from that we will all pay a huge price.

ASMAN: But again, did the President make you any commitments as to whether NAFTA would remain as is, or perhaps it would be reopened, or what?

HARPER: Well the President was pretty clear about what he is looking for in NAFTA and that is a strengthening of the labour and environmental provisions that exist but exist only in side agreements. And he was clear that he doesn't want to reopen NAFTA but see those agreements better integrated into NAFTA. That's my understanding of his position and that's a position, not necessarily an easy one to bring about, but a position that we are comfortable with as long as we don't start opening the core of NAFTA. If we did that, quite frankly it would be hard to put Humpty Dumpty back together again

ASMAN: And the Buy American clause specifically was focused towards steel, towards... Your concern is Canadian steel.

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HARPER: Well, look, our concern is... our concern is just the drift to protectionism. We recognize that there are... you know, there are times you can do, under international trade agreements you can have domestic preference in government spending and government procurement. But the main thing we want to be assured of is that that's not going to be a widening trend and there's going to be no attempt to test the limits of international trade law. Certainly in Canada, we just brought in a stimulus package and what we did in that package is we actually reduced tariffs. We're actually trying to encourage trade through our stimulus package, not discourage it.

ASMAN: Now, your banks didn't get into a lot of the same problems that our banks did. How were they able to avoid all those toxic assets?

HARPER: Well I think there are, David, there are two things. First of all, we do have a stronger system of regulation. We not only have maintained stronger regulations, we have a more activist regulator who goes out and meets with the major players in the financial sector. I think the consequence of that is we've also developed a more prudential business culture in our banking sector, so in fact if you actually look, most of our banks didn't actually test the limits of their ratios. The upshot is they are far less leveraged than their American counterparts.

ASMAN: They never got close to that 30 to 1 mark?

HARPER: I think we're around... the sector is around 18 to 1. 30 in the US. Over 40 in Europe I understand. We have... You know the government... We haven't had... In this financial crisis we haven't had to put any government money in our banks. We haven't had to do any bail out. What we have to keep doing though, and this is the unfortunate spinoff of

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other actions, is when other governments get involved in the banking sector we've had to increase government guarantees otherwise our banks are no longer competitive.

ASMAN: Right.

HARPER: And that's the big risk for us as other sectors contemplate various forms of nationalization. We have no intention of nationalizing our banks, but we've got to make sure they can stay competitive with banks that have government guarantees.

ASMAN: That's... That's the danger is the spill over effect. If indeed one of our big banks does become... does get taken over by the government, is nationalized, how might that spread over into Canada?

HARPER: Well it's something we'll watch very carefully. We'll have to do whatever steps are necessary to ensure our banks are competitive. But look, I'm not saying this to critique what the United States is doing. The fact of the matter is President Obama has a massive mess on his hands and it is essential that the United States, somehow, stabilize its financial sector because if we don't stabilize the financial sector in the US and around the globe, we will not turn this recession around. That is... it just has to be done somehow.

ASMAN: Would nationalization help or hurt that process of stabilization?

HARPER: Well I... I don't purport to be an expert on this. There are, you know, some things governments could do that would help, other things that would hurt. And look, there's a huge risk that things that the government of the United States will do in the short run – whether it's on banking or housing or fiscal stimulus – there's a huge risk that these things

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that will help in the short term may hurt in the long term. But if I can be blunt, right now the short-term is what we're worried about. We have simply got to stabilize the global economy.

ASMAN: Well, in the short term, the President of the United States has said he is... he would rather not nationalize if not necessary. Can you think of anything that might make it necessary to nationalize banks here?

HARPER: Well, as I say, it's clearly going to be necessary to have additional government action in the banking sector to try and stabilize it. Whether it's nationalization or not, I don't know, all I can tell you is in Canada we have no intention of having a nationalized or government run banking sector.

ASMAN: Can you... A lot of people point to Sweden as perhaps the only example of a nationalization that may have worked. Do you think that even in that instance there may be drawbacks? That is, I look around at Mexico and other countries in Latin America, when they nationalize the banks they're on the precipice of disaster and that pushes them over the edge usually.

HARPER: Well look, there are... there are always risks in nationalization. There's a reason why, you know, in Canada, which if you look back some 20 years had a pretty socialized economy, why we've moved away from government ownership of business. It's... You know, it generally doesn't produce in the long run very good outcomes. But as I say, the fact of the matter is something is going to have to be done to stabilize the sector and get lending going again.

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ASMAN: Final question. You say you've moved away from nationalization with the exception of health care. And of course we... a lot of people in the Obama administration wants to push us closer to a nationalized model like you have. What advice would you have as to whether... first of all, whether it works or not, but secondly whether we should keep the same model that we have now?

HARPER: Well, let me just say, I've tried hard to stay out of the debate on health care in the United States. It's a complex debate. Let me just qualify a bit of what you said. We have a system of universal public health insurance. Core medical services are insured through the government. It is a single payer system. That said, doctors are still private entities for the most part. In fact our provinces, who run the health care system, are experimenting with greater private delivery – actual private delivery of services. That said, we do have a system of universal public health insurance coverage. It's supported across the political system in Canada. Canadians...

ASMAN: Oh, not without protest. I remember a couple of lawsuits from one province to the other.

HARPER: There... Well, there have been some suits, but I mean I think we have to be frank and say even on the conservative side of the spectrum.

ASMAN: But I remember a former conservative prime minister who sent his mother to the United States for treatment – Brian Mulroney.

HARPER: Well, that has been known to happen. It's been known to happen on the liberal side of the spectrum as well. I use the public health insurance myself, and, look, I believe, and most Canadians

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believe, that it's important that you're able to get health insurance without putting your family's financial health at risk. That's not to say our system is perfect, that there aren't things that should not be replicated in other systems, but the system here in the United States is very different, very complex, and it's a debate I'm going to stay out of.

ASMAN: All right. I just had to do... do have to ask you one more question because you guys are great at balancing budgets, which is something we haven't done for years. How do you do it, and how do you continue to do it in this economic environment?

HARPER: Well, we had balanced budgets for about a dozen years. We have now entered into a deficit, quite deliberately actually, partly because we're in recession in Canada. We just entered it in the last quarter and we are now... What we are now doing to stimulate our economy but to avoid permanent deficits is we are entering into some time-limited spending, largely in the infrastructure and research and development areas. We're doing that in consultation, in collaboration with other levels of government so that these are mostly time-limited funds. They will end, and then we will return to surplus as the economy recovers. You know, it's... it really hinges around establishing an ethic. There's been... In the past generation in Canada we had very bad deficits, nearly ruined our economy, and the consequence of that was there has been a general cultural belief across the political spectrum in Canada that we should maintain long-term structural surpluses. It is essential. It's something the United States is going to have to deal with in due course. But obviously right now the United States has the same problem there as in banking – the short-term demands mean that you've got to do something to stimulate economic activity.

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ASMAN: Well, we thank you very much for coming to Scoreboard tonight, Prime Minister. Thank You.

HARPER: Thanks for having me David.

ASMAN: Appreciate it.

[interview end]

ASMAN: That was great. Thank you.

HARPER: Thank you.

ASMAN: When do you get... go back home?

HARPER: Tonight.

ASMAN: Oh, good.

[end]