

## **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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**PRIME MINISTER'S INTERVIEW WITH REUTERS**

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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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RT. HON. STEPHEN HARPER (Prime Minister of Canada): Greetings, hi.

REPORTER: Hi. Nice to meet you, Mr. Prime Minister.

RT. HON. STEPHEN HARPER: Great. It's Karen?

REPORTER: Karen, and I would be remiss if I didn't mention my Canadian connection. I graduated from McGill.

RT. HON. STEPHEN HARPER: Oh did you really? Where are you from in the States?

REPORTER: Boston.

RT. HON. STEPHEN HARPER: You're from Boston. Oh, you're still...that's not far.

REPORTER: Yeah.

RT. HON. STEPHEN HARPER: Oh good, McGill. Well, I've...I never took any courses there, but my brother took some summer classes there one time, so I was visiting him. That's about the extent of my knowledge of McGill, but it has a great reputation.

REPORTER: And it's a great city too.

RT. HON. STEPHEN HARPER: Oh, it's a great city to visit, live in.

UNIDENTIFIED: So we're good for ten minutes for this interview?

RT. HON. STEPHEN HARPER: Sure.

REPORTER: So quite a week coming up.

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RT. HON. STEPHEN HARPER: It's going to be very busy. We have...I'm here, and then we have a trip to London, and then the trip to NATO, so it's going to be very busy, very interesting.

REPORTER: Yes. Ok, well, starting off on the G20, there seems to be quite a debate shaping up over economic stimulus, and I'm wondering if you're concerned that if Europe doesn't do enough to stimulate their economies and the United States and Canada recover first, that there's going to be these imbalances in the global economy again, and I'm just wondering if you could speak to that?

RT. HON. STEPHEN HARPER: Well, you know, I'm optimistic that the differences in view are not as stark as some media reports would suggest. We believe it's certainly job number one to get the global financial system fixed. We cannot have true recovery without that. Fiscal stimulus is necessary in the short term, but fiscal stimulus alone can't turn the economy around. I would certainly hope that all countries, and I think there's some expectation that all countries would fulfill the commitments they made at Washington to meet the IMF targets on stimulus, but I would just say this: it's not just the size of stimulus. We're finding in Canada as we implement our own stimulus package, the most important thing about it is actually speed, is actually to get it into the system very quickly. We're doing that. There's a number of ways we're doing it, but essentially by accelerating a lot of existing capital expenditure plans, big fiscal stimulus that doesn't take effect 'til next year, you know, isn't going to have the kind of impact we need.

REPORTER: Right. Now, on the issue of speed, that brings me to my next question. US officials were saying yesterday that they're not necessarily telling other governments to spend more now, but isn't it

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critical to do that now, and you know, is it going to be a disappointment for the markets if the G20 meeting ends without any new commitments to (inaudible)?

RT. HON. STEPHEN HARPER: Well, I think we need, coming out of the G20 we need two things. We need a clear focus on economic recovery, on getting the global economy stabilized and growing. We've made some progress since the Washington meeting. The second thing we need is some shared consensus on how to do that, and that we're prepared to move forward together. There was some degree of consensus in Washington before. I'm hopeful, economic and monetary stimulus issues, that we will come to some consensus and see some coordinated, additional coordinated action as a consequence. I...you know, I'm optimistic we'll get there. Canada's own...if I could just add, those are priorities of ours. Canada's own contributions and aims for this meeting go a little broader. We're also concerned about the future of financial regulation. We are chairing with India the G20 taskforce on reform of financial regulation to encourage transparency, stronger national system, international peer review. We're optimistic that we'll move forward on that. That's pretty critical. And the other thing, of course, we want to be very vocal about at the G20 is that we continue or even do a better job of resisting protectionism and pushing trade liberalization. This is essential. And the biggest risk to the economy – we can talk about all these other things – the biggest risk that the recovery will not happen or that the recession will deepen and become prolonged is a global retreat to protectionism; biggest risk.

REPORTER: What can the G20 do besides paying lip service to the idea? I mean, you know when summits happen, you hear leaders

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all say that we have to move away from protectionism, you have to avoid protectionism, but what concretely can they do?

RT. HON. STEPHEN HARPER: Well, I can just tell you some of the things we've been doing. In the absence of progress on world trade talks – we'd like to see progress – but in the absence of that we've been pushing ahead very aggressively with a bilateral trading agenda. Our government has tabled no less than three free trade agreements in our Parliament with the European Free Trade Association, with Peru and with Colombia, that we are pushing to have passed. These are important steps that need to be taken. In our most recent budget, we eliminated a lot of tariffs on imported machinery and equipment, so that's an important trade liberalizing move. We have...we're just about to start in the next couple of months negotiation of an economic partnership with the European Union, so you know, I think that two things can happen. Obviously leaders can renew their calls for global action. Leaders can call each other on protectionist actions that shouldn't have happened, but leaders individually can undertake important actions themselves to show that they are committed to trade liberalization.

REPORTER: Now, on the issue of financial regulation, President Obama when he went to Canada recently, he paid you a compliment and said basically your banking system remained healthy while others did not, and I'm just wondering what you think of the Geithner plan this week for financial regulation? Do you think it goes far enough?

RT. HON. STEPHEN HARPER: Well, without getting into the detail, because I wouldn't claim to be an expert on the detail, I can say that the broad outlines of that plan and that philosophy underpinning it, are very close to the G20 working group report that Canada's pushing forward.

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Comprehensiveness, better transparency, comprehensiveness of financial regulation, a macroprudential approach to regulation; these are all – intervention by government where necessary – these are all very consistent with the recommendations we're making to the G20.

REPORTER: Now, President Obama this week unveiled a new plan for Afghanistan and Pakistan. And he said that Afghanistan has to be a shared responsibility to prevent it from sliding back into chaos. Do you think that he's going to have success in persuading European countries this week to contribute more resources?

RT. HON. STEPHEN HARPER: I'm not sure. I just don't know the answer to that. I can certainly tell you that under his predecessor, for our own reasons, we pushed very hard for additional troop contributions and the removal of caveats, and there has been some success in that over the past couple of years. A number of small countries have made additional commitments, and in particular, Poland and France made significant additional troop commitments in Afghanistan. So you know, I...look, I remain optimistic. I noticed, though, that the Obama administration's call for enhanced participation wasn't just on the military side, but also for others to step up their civilian engagement and development and governance, which we're also doing. So look, I think the most important thing is we get back to viewing Afghanistan as a shared responsibility. I think, as you know, the history is this, that there was a shared NATO decision to get into Afghanistan. Rightly or wrongly, and I'm not saying who was right and who was wrong, but the Iraq war essentially disrupted the commonality of purpose. Our European friends and others have been saying they want to see an American President who's prepared to show leadership, but also have a more multilateral, consensual

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approach. That's exactly what President Obama's bringing to the table, so I think there would be an expectation that those who have called for that kind of approach would respond positively to that kind of approach.

UNIDENTIFIED: Two minutes, Karen.

REPORTER: But there has been...oh, ok, two minutes. There has been waning enthusiasm around the world for the mission there, and I'm just wondering if you think that his new strategy that he unveiled will help reinvigorate the effort there and maybe convince people that it's worth another try.

RT. HON. STEPHEN HARPER: Well, we shall see. I would just say this, that the strategy that President Obama's administration has unveiled is very close to the strategy we adopted, was it a year ago? It was about a year ago. We had a...year and a half ago, we had a bipartisan taskforce that produced a report that led to a Parliamentary resolution to extend our military mission to 2011. The strategy revealed by Secretary Gates and President Obama this week is very close in its outlines to that strategy. We think it's the right strategy, so now it, you know, it really does become a test of NATO's commitment to act cohesively and to see through obligations that it undertakes. It is critical that we be successful in Afghanistan. Success, as I said, should be defined modestly. Success is not the elimination of every last insurgent or, you know, I quote a literal defeat of the insurgency. Success is reducing the insurgency and training the Afghans so they can take responsibility for the security of their country, and certainly eliminating the broader, the security threat to the broader world that exists in Afghanistan. Those two things have to be done.

REPORTER: One more question?

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RT. HON. STEPHEN HARPER: Yeah.

REPORTER: The auto makers' deadline is coming up, and what are you inclined to do? (Inaudible)

RT. HON. STEPHEN HARPER: Well, we've been working...

REPORTER: ...Chrysler in Canada?

RT. HON. STEPHEN HARPER: We've been working very closely, both with President Bush's administration, President Obama's. We have an entirely integrated industry. You know, as I tell people, it isn't just that cars, you know, cross the border, they're bought and sold on either side. A car or truck, when it's being constructed, can cross the Canadian-American border as much as seven times in the process of being built. This tells you how completely integrated this industry is. So we've said whatever, you know, the United States government is ultimately going to do, we're prepared to do our 20 percent share, as we have 20 percent of the industry, and we've been working daily with the American administration to ensure we're on the same page, and it certainly appears to us at this point, I'm certainly very confident that the Obama administration is going to require the automobile manufacturers and their stakeholders to make the difficult decisions necessary so that any government support will be successful and will create a viable industry, because the last thing we want, and I think the last thing the President wants, is where we do a government bailout that doesn't work and we have to do it over again in a year, a year and a half.

REPORTER: Can aid come through for Chrysler, though? There has been this dispute and a standoff with the union.

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RT. HON. STEPHEN HARPER: Well, look, that's...the issue...the issue of...I'm not going to get into Chrysler's relationship with its own unions. I would just say this, and we've been very clear, that any government assistance on the Canadian side can come only when all stakeholders, all stakeholders in those automobile companies take the tough decisions that are necessary; that has been an issue, and those stakeholders are going to have to act on that, or this isn't going to be successful. There's another issue with Chrysler, as you know, (inaudible) issues of tax policy vis-à-vis transfer pricing with Canada and the US, and these...I can't comment on that. These are illegal issues that have to be resolved according to the law.

REPORTER: Thank you.

RT. HON. STEPHEN HARPER: Have we got it? We covered all the main subjects you wanted to cover?

REPORTER: Well, I had one more question, if you have time.

RT. HON. STEPHEN HARPER: What was that? What was that?

REPORTER: Well, I know that Canada has been this issue of the global reserve currency a distraction. I'm just wondering if you have a position on it one way or the other?

RT. HON. STEPHEN HARPER: I don't have a strong...I don't have a strong position on it. To be honest, it's kind of beyond the scope of what we think are the priorities of this meeting. It's an interesting question, but since the Canadian currency is unlikely to be part of that global reserve currency one way or the other, it's not a critical issue to us. You know, I would just say once again that I would hope that the G20 meeting does not get

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distracted by institutional issues that are not likely to be resolved quickly, because that's not going to lead us to a consensus on the steps necessary to restart global growth in the near term, which absolutely must be the focus.

REPORTER: Great.

RT. HON. STEPHEN HARPER: Great. Thank you, Karen.

REPORTER: Thank you so much.

RT. HON. STEPHEN HARPER: Yeah, good. Nice meeting you.

REPORTER: Nice to meet you.

RT. HON. STEPHEN HARPER: Hi, what's your name?

UNIDENTIFIED: Thank you. (Inaudible), nice to meet you.

RT. HON. STEPHEN HARPER: Nice to meet you, sir.

UNIDENTIFIED: Ok.

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