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SOURCE: PMO
DATE: FEBRUARY 23. 2009
REFERENCE/ RÉFÉRENCE: 2302DOC1

LOCATION/LIEU: NEW YORK
TIME/ HEURE: 07H30
LENGTH/DURÉE: 10:00 MIN

P.M. INTERVIEW WITH FOX NEWS

ALEXIS GLICK (Fox News): And the Oscar is the big talk around the office today. We're going to break down the big winners from last night. But first with the Citi news, let's take a look at how the city stock is performing right now. In fact, it's pretty much unchanged from where it was. Now there was a nice rally overseas in Asia overnight on reports that perhaps the government would look to take a 40 per cent stake in Citi. The Citi officials are apparently talking about a 25 per cent stake.

Regardless of that, there has been a little bit of a boost to the market this morning because of the fact that the government wouldn't entirely have taken over common equity shareholders or wipe them out but that is of course one of the big topics today.

The Dow right now up 7/10, S&P up 7/10 and NASDAQ up 6/10. But it's given back about half of our gains this morning.

Well, the Canadian prime minister Stephen Harper is in New York today to take part in a roundtable discussion with U.S. business leaders. And according to aides, also to keep the momentum of his meeting with President Obama in Canada last week.

The trip marked the first foreign visit for President Obama who discussed several topics with Prime Minister Harper, including the North American free-trade agreement, the Buy American clause, and that 878 billion-dollar stimulus plan and a clean energy initiative and the impact Canada's tar sands oil would have on all of that.

For more, I'm joined right now in studio by Prime Minister Stephen Harper. Good to see you.

STEPHEN HARPER (Canada's Prime Minister): It's good to be here, Alexis.

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ALEXIS GLICK: Thanks so much for being here. You know, everybody talked about the meeting between the two of you last week. Clearly a gesture by this president that the relationship between you and the United States is critical to our trade, our economy. Did you... I guess are you happy with the meeting? Did you get what you wanted?

STEPHEN HARPER: We were all delighted. There was a long tradition up until about the 90s of U.S. presidents often making Canada their first foreign visit. So it was wonderful that President Obama was able to revive that tradition. He was... you know, there was a lot of excitement about his election in Canada. He was very well received. And we had good discussions.

And you know, I think it's important. In Canada, we are, as you know, great friends and neighbours of the United States. We have the largest trading relationship in history. The one thing we often suffer from is because we're not a squeaky wheel, we often don't get the grease and we're forgotten. So it was great to have that kind of attention from our great friends in the United States.

And one of the reasons I decided to travel here today was to follow up on that rare attention we actually got in the U.S. media last week.

ALEXIS GLICK: It's interesting because there was a lot of talk heading into that meeting, not only about what the President had said along the campaign trail about NAFTA. And he's eased a lot of what he suggested earlier on.

But also, he really wanted those buy American clauses within this stimulus bill dampened.

STEPHEN HARPER: Um-hmm.

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ALEXIS GLICK: What did you guys discuss in that regard?

STEPHEN HARPER: Well, first of all, in terms of buy American, as you know, the Senate modified those clauses to say that they will respect international trade agreements. You know, I was just obviously seeking additional assurances from President Obama, clarification of what he said in public, which is that he believes that is essential that we resist protectionism.

There are, you know, you can have domestic procurement.

ALEXIS GLICK: Um-hmm.

STEPHEN HARPER: In government spending, provided you respect certain rules. We in Canada do that. We expect the United States to do the same. It is critical. In my judgement, the biggest single risk we have in the world recession right now is protectionism. And protectionism is the one thing that could turn a very deep recession into a very deep depression if we are not careful.

So the fact that President Obama made clear that he will respect trade agreements that protectionism is not the direction he wants to go is a reassurance because if our stimulus measures, you'll recall at the G20, all major countries agreed to pursue stimulus. But the idea is not just to boost our own economies but to boost the global economy. If those stimulus measures become protectionist measures, they will not be effective.

ALEXIS GLICK: Which frankly is the danger right now.

STEPHEN HARPER: A huge danger

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ALEXIS GLICK: It is massive because you hear about it. In the likes of China, you hear that, in Japan. Now there's concern about what might happen to the European Union. How do you fight that, not only with the United States but with the rest of the world?

STEPHEN HARPER: Well, it's a big worry. In Canada, we also have introduced a second stimulus package that is largely built on spending. In that package, we actually reduced tariff barriers, particularly on imported machinery and equipment. We did that partly in our own interests, but partly because it's good for world trade.

You know, we're going to have another G20 summit in April in London. President Obama and I discussed that. So hopefully the voices against protectionism will be loud at that meeting.

ALEXIS GLICK: Let's talk a little bit about what's happening in the financial system over in Canada because I just got back from the World Economic Forum and you were selected as the top country across the globe for your financial institutions. And that is one of the things that the president highlighted on his trip. What have you done right in your banking system and does it worry you, watching what's happening just across the border in the United States here, and if that could long term have any ripple effects on you?

STEPHEN HARPER: Well, we're obviously all hugely worried about the American financial system and about the financial system of some other countries. Frankly, Alexis, until that problem gets fixed, it's hard for me to see how we're going to turn the corner on this recession that we're in now.

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You know, in Canada, I think the explanations for why your system is so strong are complicated. We've obviously maintained a stronger system of regulation in Canada. We actually have a more activist form of regulation. The Superintendent of Financial Institutions meets regularly with the major financial institutions.

We're helped by the fact that we have six major banks, three major insurance companies. So it's easier for the government to exercise moral suasion on the sector. But the sector has as a consequence of our strong system of regulation also developed a very prudential culture and our banks are far less leveraged than their counterparts in the United States or Europe.

ALEXIS GLICK: Yes, I was going to mention that because leverage has clearly been the biggest I guess Achilles' heel for us here, in the United States.

Let's talk a little bit about the Canadian oil sands.

STEPHEN HARPER: Yes.

ALEXIS GLICK: Twenty per cent of the oil imports that we take in are from you. I know you've entered technically into a recession in the last quarter. As you mentioned, you're doing a fiscal stimulus package here. About 129,000 people lost their jobs in January. What are you doing right now to rectify your economy and how much of our carbon emission conversation, our cap and trade conversation, our alternative energy conversation, how much of that worries you because you rely on those exports?

STEPHEN HARPER: Well, there's two questions in there. First of all, the state of our economy. We don't have, as you just mentioned, we don't have the financial sector problem that you have in the

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United States. We haven't had to bail out any of our financial institutions. We don't have the mortgage problem. Certainly, we have a downturn in our housing sector, but it's not structural. There will be no government bailout of mortgages in Canada.

Last year, we introduced some long-term tax reductions to try and stave off the recession. That worked for about a year. Now we've entered into a series of spending initiatives. They are largely time limited initiatives, focused on infrastructure development, focused on getting other levels of government to also put some time limited money into some stimulative actions.

We should be able to do that and emerge back into surplus in about four years' time. So we haven't got a structural deficit problem which puts us in a pretty good financial position.

ALEXIS GLICK: You've been running a budget surplus for...

STEPHEN HARPER: We've been running a budget surplus for over a decade.

ALEXIS GLICK: A decade?

STEPHEN HARPER: For over a decade. And we're in a position to return to surplus as soon as the recession is over. So that's obviously a strength we have.

In terms of your question about the oil sands, look, Americans should be under no illusion. When I look at the energy needs of the United States, there's going to be lots of demand for all kinds of oil, particularly Canadian oil, which is a secure, safe supply from a reliable ally.

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That said, we are anxious to reduce our own greenhouse gas emissions. The fact that there is a government in Washington now that wants to see regulation over that problem is actually a reassurance to us because we, in Canada, for a decade, wanted to have some regulation on carbon emissions. But in an integrated North American economy, that's put us in a very difficult competitive position. So this should actually help us.

ALEXIS GLICK: Universal healthcare.

STEPHEN HARPER: Yes.

ALEXIS GLICK: The President is expected to start to talk about healthcare perhaps as early as this week.

STEPHEN HARPER: Yes.

ALEXIS GLICK: I don't know if you had a conversation about it. Did you have a conversation about it? What would you tell this president and the people in this country who worry that the U.S. is moving towards universal healthcare?

STEPHEN HARPER: Well, look, I try and stay out of the healthcare debate in the United States and the President and I in fact did not discuss it. He didn't ask my view. In Canada, we have a system of universal public health insurance. It is supported across the political spectrum. I will not say the system is perfect, but the fact that in Canada you can obtain healthcare without putting your family's financial position at risk is something that all political parties agree with.

The debate in the United States, you have a very complex system. It's going to be a very complicated debate and I will do my best to stay out of it.

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ALEXIS GLICK: Good answer. Well, Canadian Prime Minister Stephen Harper, wonderful having you on the show. Thank you so much for coming in and visiting us and continued great relationships hopefully between Canada and the United States.

STEPHEN HARPER: Thanks for having me, Alexis.

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