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**PRIME MINISTER'S QUESTION AND ANSWER SESSION AT WEF
MEETING**

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KLAUS SCHWAB (Founder, World Economic Forum):
Prime Minister, you have talked about all your reforms in Canada, and maybe I will come back. But if I take the context, which is so important, and as a G20 country, what... and having listened to President Calderon...

Quels sont les grands objectifs que vous prévoyez pour la réunion cette année sous la présidence du Mexique? Quels sont vos désirs et vos souhaits?

TR. HON. STEPHEN HARPER (Premier ministre du Canada) : Merci. C'est toujours une bonne question. Comme vous savez très bien, le G20, malgré de temps en temps ses limites, reste le seul vrai forum pour la gouvernance internationale de cette économie mondiale. Moi, j'espère deux choses : premièrement, que nous ne discuterons pas encore la crise en Europe. Évidemment je cherche une solution avant ça. Mais j'espère que cette... que ce forum sera ciblé sur les vrais défis économiques, ciblés sur des vraies questions, pas... j'espère qu'on aura pas un forum avec trop de sujets, mais ciblé, et que ça va continuer à coordonner la réponse internationale à ses crises, et surtout qu'on va poursuivre en détail le plan d'action de Cannes qui est un important pas de l'avant.

KLAUS SCHWAB: Prime Minister, when you were last year here, you proposed – and I was very impressed – a fresh approach to international relations, based on the notion of enlightened sovereignty.

TR. HON. STEPHEN HARPER : Oui.

KLAUS SCHWAB: I liked very much this definition. And you defined it as a natural extension of enlightened self-interest, and

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which is, I quote, “less about lofty promises and real results, less about narrow self-interest in sovereignty’s name, and an expanded view of mutual interest in which there’s no room for all... there’s room, only room for all to grow and prosper.” If you look back, is the world moving into this direction?

RT. HON. STEPHEN HARPER: I think... I think that through the G20 process, it is. It’s slow and imperfect, but I do think... I do think, broadly speaking, there’s a realization that we’re all in this boat together. You know, I go back to the great crisis of late ’08, early ’09 when, you know, we had this torrent of, this avalanche of, flood of bad news and crisis, and we very quickly found it was affecting all of us. And therefore, the solutions have to engage all of us. I’m not suggesting for a second that countries won’t and don’t and shouldn’t pursue self-interest, but I think we should always ask ourselves – and this obviously most important the bigger the country and the more influential – are the choices we are making and the approaches we are taking, are they compatible with everyone else doing the same or similar things? Because I think if any one of us, and in particular big players take a course of action that can only work for them, then that renders the entire system that we’re all a part of unstable and uncertain. And I do see some signs incrementally at all of these various G20 conferences that we are moving to that understanding, to actions based on them, but I don’t want to exaggerate. The new world isn’t completely at our doorstep.

KLAUS SCHWAB: Prime Minister, when we listened to President Calderon just half an hour ago, I think many people were impressed, including myself, about the high number of people who are turned out by the universities, particularly also in those areas which are related to innovation.

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What is your... you spoke about innovation rapidly, but how do you want to enact really innovation?

RT. HON. STEPHEN HARPER: Well, there's two things. In Canada, since we came to office, we have tried to affect a bit of a shift. The reality in Canada is this, that we have actually very high level of spending of the Canadian public sector on science and technology, research and innovation. Fact of the matter is, we don't have the private level of spending that would match that, and we haven't seen the kind of private sector results and results in commercialization that we've been seeking. So one of the first things we did when we announced our first science and technology policy was putting a substantial new emphasis on commercialization and the encouragement of partnerships between researchers and private sector. And you know, that, to be frank, that initially caused some push-back in the academic community, but our experience has been that the Canadian academic community adapted very quickly to that, and we saw the changes we want there. We haven't seen the changes we really want to see on the private sector side. Now, this is, of course, a great generalization, because there is, of course, Canadian companies that are cutting edge innovators, but broadly speaking, the Canadian business side of the economy is not as innovative as it needs to be. We've done a report on that. That report has looked at a range of our expenditure and tax policies, and government structures, given us some pretty sweeping recommendations, and while we don't necessarily subscribe to all the recommendations, we certainly subscribe to the diagnosis of the problem, and to the nature of the kind of changes that have to be made, and we will be making those. I would say this, though: it's... you know, we're not under any illusion. This is a longer term culture shift that has to happen in many

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segments of the Canadian economy, but we're certainly prepared to work with business to see that happen, because I agree with you: it isn't just necessary for advanced economies in the future to continue to work hard and invest well and make good decisions; the nature of our economy is we have to be innovative. We have to be at the high end of the value chain, and the innovation's going to be critical.

KLAUS SCHWAB: Can you export the... if I call it Canadian model? And I should tell you, Prime Minister, you know in our competitiveness report which we publish every year, the Canadian banks rank usually as the soundest banking system, and we have seldom so many reference to a statement which we are making compared with this one. Now, you have announced a kind of model. Can it be exported to other countries?

RT. HON. STEPHEN HARPER: I think some aspects are more easily exported than others. Let me give you a couple of examples. The one you asked about, the banking system, you know, through the G20, through Basel Three, through the work we've been co-chairing with India on international financial regulatory reform and the work, obviously, that Mark is doing through the Financial Stability Board, we are trying to encourage international practices and international forms of regulation that look very Canadian, that are, I think, strong, prudential, comprehensive, but at the same time not excessive or punitive or that attempt to micromanage financial institutions. That's what we're trying to do. I think we're having some success. The part of the model that it's more difficult to export is the fact that the Canadian financial sector has a particular structure where the banking side and the insurance side are dominated by a relatively small number of large players, and that enables really comprehensive interaction of independent government

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regulators with the people that they are regulating, and keeping that independence, but also that interaction and flow of information, and understanding of the real world is something that would be difficult to replicate in Europe, writ large, or in the United States. So there are some limits, but I think, broadly speaking, we can do that. Another aspect, I think, of the Canadian model is that, you know, I do think among certainly developed countries, we really have been for a very long time on the cutting edge of incorporating, accepting and incorporating and benefiting from great cultural diversity. Now, I'm not sure that we have made full use of that in terms of international trade, that we really should be making of it, but we certainly have for the most part created a society where cultural diversity has led to greater mutual understanding among people, rather than to start divisions and ghettoization of the population. That's, you know, that's obviously a model that has developed because of Canada's unique history and practices over a long period of time, and while I think it's essential in all parts of the world, especially developed economies, it's obviously not something that, you know, is easily learned or exported over night.

KLAUS SCHWAB: Prime Minister, you have here in the room some of the most prominent Canadian business leaders. If you had one wish – it's a good opportunity outside Canada – to have a wish towards your business leaders, what would it be?

RT. HON. STEPHEN HARPER: A wish for my business leaders?

KLAUS SCHWAB: For your business leaders.

RT. HON. STEPHEN HARPER: Well, of course, we always call on them to support the government. (LAUGHTER) And look,

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actually, the Canadian business community have been very good about supporting government initiatives that are helpful to the economy. Look, as I say, our biggest... our biggest wish with Canadian business is, you know, just a sector that is more innovative, that is, you know, looking broader at opportunities, beyond merely our own market, and that of the United States. But I think in fairness, Professor, the business leaders who are represented here are probably already in that category. So our work is really with the broader business community.

KLAUS SCHWAB: So you can be proud of your business community.

RT. HON. STEPHEN HARPER: We're very proud of them, especially when they're right in front of me.

KLAUS SCHWAB: And I hope they are proud... and I hope they are proud of their Prime Minister.

RT. HON. STEPHEN HARPER: Yeah.

KLAUS SCHWAB: Thank you very much, Prime Minister Harper.

RT. HON. STEPHEN HARPER: Thank you. Appreciate the time. (APPLAUSE)

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