

Conversation with Canadian Prime Minister Stephen Harper Moderator: Jane Harman, President and CEO, Woodrow Wilson Center Location: Woodrow Wilson Center, Washington, D.C. Time: 4:13 p.m. EDT Date: Monday, April 2, 2012

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PRIME MINISTER STEPHEN HARPER: Well, thank you very much, Jane, for that kind introduction. I will be very brief.

(In French.)

So I'm here primarily today, as I just said, to meet with President -- as you mentioned, President Obama, President Calderon, really to discuss our shared North American agenda, obviously the economy and the competitiveness of this region in the context of the recovery from the global recession. Also, we discussed the common security challenges that we increasingly have in this hemisphere. And we discussed the promotion of democratic values as we approach the Summit of the Americas which will be held in Cartagena, Colombia, very shortly. This has been, I guess -- today you're probably aware of former President de la Madrid of Mexico passed away, and he was of course one of the architects of the NAFTA agreement, and this has been a burgeoning three-way relationship ever since then. So we do need periodically to discuss these interests of shared concern.

And of course, we always -- we never miss an opportunity to discuss our relationship with the United States, which, for Canada, as you know, remains overwhelmingly important. But as I -- you know, I know this crowd knows, but as too many Americans don't know, Canada-U.S. economic relationship is the largest economic relationship in history, largest trade relationship in history, \$700 billion a year now in trade. We are the number one export destination for the United States. To give an idea of the scale -- I say most Americans do not understand anything like these numbers -- the United States exports more to Canada than it does to the BRIC countries, U.K. and Germany combined. And of course, we're also your largest supplier -- external supplier of energy, and 25 percent of all oil exports come from Canada, larger than any Middle Eastern -- individual Middle Eastern country.

So -- so we never miss an opportunity to discuss the very important trade and other relationships we have with this great country here.

MS. HARMAN: (In French.) (Laughter.) Now we will talk in English.

Let me start with competitiveness and innovation, because as I listen to what the president said and what you have just said and what President Calderon said, I mean, we are talking about, when you add in Mexico, a trillion-plus-dollar market if you talk about the three countries of North America. And that starts to add up to real money and real clout.

One of the things on the president's list that was agreed to today, I think, was a joint regime for simplifying regulatory reform. At the Wilson Center last week, we had a meeting on American innovation and competitiveness, and of course one of the subjects that came up was stifling regulation. What could that agreement mean? And what are some other ways to spur competitiveness and reach -- you know, take that trillion (dollars) we now have and multiply that by a lot in some near term?

PRIME MIN. HARPER: Well, in terms of regulation, what we really were talking about today is -- follows from agreements that had been made earlier bilaterally between the United States and Mexico and, obviously, as well between the United States and Canada, that we just put into effect in the last few months, what we call the Regulatory Cooperation Council. We have officials working -- have been working for several months now and working with industry on a range of ways that we can standardize, harmonize, simplify regulatory differences between our countries.

Particularly for Canada, this is obviously a huge concern. We -- we often -- somebody used the expression earlier today, we are often captive of the tyranny of small differences, and we want to find a way with our largest trading partner to make our border as seamlessly (sic) as possible.

And dealing with regulatory simplification and standardization's a big part of that.

And I met with the business community earlier. I mean, everybody's very engaged in this, and this is very important work going forward. Now, I think we're -- we're going to look as well as to see how these two bilateral exercises could -- could result in some, you know, trilateral agreements as well.

In Canada we're going a step farther. We're not concerned merely with -- with kind of the microregulatory environment. We just introduced a national budget in Canada last week, our next stage of what we call our economic action plan. One of the things we're doing there is we are trying to streamline project approval, particularly for major resource developments. We have tremendous opportunity, not just here but obviously now in Asia, to develop and to find new markets for Canadian resources. And we have found in recent years that increasingly our regulatory processes, while necessary for good environmental reasons, are often becoming very long, creating a lot of uncertainty for business. So

we're legislating clear timelines; it doesn't guarantee people will get the answer they want, but clear timelines so we can create more certainty for investment and ultimately bring more projects to fruition quickly.

MS. HARMAN: Well, I'll get to the energy question, which I know you all want answers to, in a moment, but staying on this just for a bit. You have been able to do things in terms of your budget that we can only dream of here. And obviously, I think everyone gets the fact that a healthy budget environment also spurs your economy and can, hopefully, fix any other issues related to economic growth.

How did you -- how were you able, how was Canada able to stay -- I wouldn't call it healthy during the lowest point, but to stay healthier than the United States and obviously Europe and other parts of the world?

PRIME MINISTER HARPER: Well, there's -- there's been three big differences in Canada. First, there's been -- we had a very solid system of financial institution regulation, one that's not entirely translatable here, but one that is, I think, helping to form the basis of some of the international efforts that are going on to reform financial sector regulation. So we had a strong financial sector. We had strong household and corporate balance sheets as well.

And we also had -- we had a strong -- this is a big difference -- we had a strong fiscal position going into the recession. Not only was the government of Canada and most provincial governments -- not only were we running surpluses, but we had debt levels that were very low, which meant a couple of things, which meant -- you know, obviously, our fiscal position solid; it also meant we had a lot more flexibility.

We did a very large-scale stimulus program in Canada, on the order of \$60 billion, which -- you know, it's comparable to what was done here. But the difference was, because we had such a low debt level, we could incur that kind of deficit in the short term without worrying about the effect on our -- on our interest burden down the road. So we did that. We've withdrawn that stimulus quite quickly as the recovery's taken effect.

But I say, that's made all the difference, having that fiscal flexibility. And we're determined to preserve that. We've -- we said all along that the stimulus we put in would be temporary. We didn't create any -- we didn't create any new bureaucracy that would want to sustain that. And now we're moving very quickly.

In the context of a majority government in a parliamentary system, we -- you have a lot more flexibility.

MS. HARMAN: That makes a difference.

PRIME MIN. HARPER: It does. We're moving quickly now to ensure that we do return to balance, and we will return to balance in the -- in the course of this mandate. In fact, we're about half -- and we may even be a little less than half the deficit we had at the height, and we should be, by 2015 at the latest, in balance.

MS. HARMAN: In balance -- wow. Can you -- I would just be curious -- can you give us a little more information about what the stimulus program did and how you were able to avoid an overhead -- you know, a bureaucracy to get the money to where it needed to go?

PRIME MIN. HARPER: Sure. Well, there were a lot of components to the stimulus program in Canada. But the lion's share was essentially the federal government funding a portion of, you know, so-called shovel-ready projects, of infrastructure already planned and close to launch, infrastructure projects of other levels of government, colleges, universities and, in a few cases, the private sector.

So, you know, what we did is we went for projects that were already going to go ahead. We just accelerated the timelines. We, as I say, largely did it outside of our own government. And we required, in most cases, contributions from all other partners. So they had a -- not just a stake financially, they also had a stake in the thing not being indefinite.

And so we found that was a -- you know, that was a pretty effective program. And I thought --

MS. HARMAN: And was there private sector money in those too, or it's all public?

PRIME MIN. HARPER: Very few. There were some private sector projects, but they were mostly intergovernmental projects.

MS. HARMAN: Now, was there tax revenue involved in some of this? I mean, for example, in Los Angeles, close to my heart, there is a program called -- or it hasn't been realized yet -- 30/10, and the -- and the goal is to take some of the sales tax that's been dedicated in Los Angeles, apply it to the buildout of infrastructure, but get the federal government to front-load some of the money so that instead of it taking 30 years paid for by tax revenue, it will take 10, and it will create tens of thousands of jobs.

Is that the kind of thing you did?

PRIME MIN. HARPER: Yeah, we didn't -- we didn't have anything quite like that. As I say, we did require shares from the other participants, which were mostly provinces and municipalities. And we also did have available for some municipalities a loan facility, although it actually wasn't that broadly used. But we didn't use tax revenue per se.

MS. HARMAN: Did not.

PRIME MIN. MINISTER: Yeah.

MS. HARMAN: Well, we have a variation on that proposal called an infrastructure bank, which sounds like that.

Let me turn to energy, a subject that everyone cares about. Canada is rich in energy resources. Today the president talked about a joint effort among the three countries to build clean energy jobs.

My question is this. It relates to energy security. I think that would be the least polarizing word we could use. Do you see a possibility of North America -- again, the three countries -- putting in, you know, into the game the energy resources we have with pipeline and other capacity to move those resources around and achieving energy security? That would mean no reliance on Middle Eastern oil, at least that's what it would mean to me. It could mean other things. But the ability to basically power whatever our needs are -- some mix of clean energy and oil resources and other.

And if you can see that future, what role do pipelines play? Does the decision to delay a portion of the -- of the Keystone XL pipeline affect that timeline?

And does Canada's interest in having other energy partners, especially in Asia, dilute the possibility that Canada will bring enough energy to the table to achieve this North American energy security objective?

PRIME MIN. HARPER: Well, first of all, you know, there are several portions to that question. Canada's -- Canada -- you know, I like to say that whatever the energy mix of the future is, Canada will be a major supplier. Canada is, you know, among the top two or three in virtually every single energy source that is -- that is out there. So energy security for us -- it's not that we don't have our energy challenges, but energy security for Canada has never meant the same thing that it does for the United States. We don't have the same kind of fundamental threat of an energy shortage.

In the case of North America as a whole, though, obviously the shale gas developments, the developments in natural gas, in particular -- you know, as president Obama said earlier today -- have a capacity for enormous geopolitical shifts. The U.S. is particularly rich in natural gas of that variety. And this does create the potential for North America as a whole to be essentially not just energy self-sufficient but an energy exporter.

Now, in fairness, though, I've got to say that Canada's interests here are a little bit different, and particularly -- I might as well be frank with you -- in light of the -- of the interim decision, at least, on Keystone. What it really has highlighted for Canada is that our issue when it comes to energy and energy security is not North American self-sufficiency; our energy (sic\issue) is a necessity of diversifying our energy export markets. We cannot be, as a country, in a situation where really our one and, in many cases, almost only energy partner could say no to our energy products.

We just cannot be in that kind of position.

And the truth of the matter is that when it comes to oil in particular, we do face a significant discount on the marketplace because of the fact that we're a captive supplier. So we have made it clear to the people of Canada one of our national priorities is to make sure that we have the infrastructure and the capacity to export our energy products outside of North America.

Now, look, we're still going to be a major supplier to the United States. I -- it'll be a long time, if ever, before the United States isn't our number one export market. But for us, the United States cannot be our only export market. That is not in our interests either commercially or even, as I say, in terms of price.

MS. HARMAN: Can clean energy be an increasing part of the mix? I mean, it does seem to me we're trying to export clean energy technology too, to Asia, especially to China, and solar and other issues are in that mix. But today, at least as I was hearing President Obama, he was talking about clean energy, and obviously, if we have an easy choice between dirtier forms of energy and clean energy, who wouldn't take clean energy? So how big a piece of the energy pie do you think that is?

PRIME MIN. HARPER: Well, clean energy is going to be a growing part of the mix. You know, as far as fossil fuels go, natural gas is a - - is a cleaner form, and that's where -- that's where the growth is. In terms of clean energy and climate change, we have engaged in quite cooperative actions with the Obama administration, for instance on transportation regulation, to try and get better and cleaner energy usage. And like the United States, we also invest in, you know, newer technologies, wind, solar, tidal, carbon capture and storage, you know, all kinds of energy innovations.

But I mean, the truth of the matter is this, that -- and you know, I know this is not necessarily a popular thing to say, but the truth of the matter is that if you look at supply and demand curves for energy in the future, the demand for hydrocarbons is going to remain enormous, even with the growth of clean energy sources.

In fact, the argument I make to many people, especially those who are more skeptical of climate change, is that if you simply look at supply-and-demand issues, I mean, we've got to be finding ways to get plentiful, reasonably cost sources of energy outside of hydrocarbons because I'm not sure that hydrocarbon production in the long term, and certainly oil production, cannot keep up with demand. And that's why -- that's why there is, you know, not just right now, but over the last several years, a rising price of oil. It's simply a supply-and-demand phenomenon.

So look, the way I see the energy of the future, we're going to have -- we're going to have lots of hydrocarbons still in the mix, including increased natural gas. As unpopular as it also is, nuclear is going to have to be a growing part of the mix. Notwithstanding the challenges and risks of nuclear energy, it remains the other -- the only other, today -- large-scale, reasonably cost -- reasonably cost-

effective option. Other options that we all have great hope for today are either not large-scale, or they are not reasonably priced.

MS. HARMAN: Well, I share your view on nuclear, and I have. The challenge is obviously safe storage of spent fuel. And there are some new ideas. There also is this idea, which I know you're familiar with, about a international fuel bank that could provide for this function around the world that might be in some future lifetime an answer to Iran. And in fact, it was talked about a few years back; the fuel bank would have been in Russia.

But it could be a worldwide solution -- the IAEA's talked about that too -- for all countries that are engaged in civil nuclear energy production.

At any rate, there's lots more to talk about: car production, clean engines. I mean, the Canada-U.S. collaboration on cars is huge. Most people don't understand that exports between the U.S. and Canada keep adding content on both sides of the border. The same thing is true in Mexico. So --

PRIME MIN. HARPER: The average car -- it's just a stat I like to use -- the average car -- North American car, when being produced, crosses the border 16 times as it's being assembled.

MS. HARMAN: And Wilson just did -- I have to shill for the Wilson Center one more time -- the Mexico Institute, some research on our shared border with Mexico, which shows that 40 percent of the content of exports to Mexico -- and imports from Mexico is contributed by both sides of the border. So it's very different from an import-export relationship with China or -- pick a country.

Let's just finally turn to foreign policy. And David -- (yes, if ?) you have these cards, you need to be bringing them up to me. So if anyone has these questions, I hope you've handed them off someplace, please.

Foreign policy. As I told you, my focus in Congress was on intelligence and security. We have an extraordinarily close intelligence relationship with Canada, and have had it for years. And on security, Canada has been our -- our closest ally, or certainly one of them, in terms of the things we have done and are doing in the Middle East region, hard things.

One of those hard things is trying to find some better answers on Syria.

PRIME MIN. HARPER: Yeah.

MS. HARMAN: And I did ask Prime Minister Harper whether his country was at the Friends of Syria meeting over the weekend in Istanbul attended by Secretary of State Clinton. Answer, yes. They have decided tentatively, at least as I understand it, or we have decided, with some others, to provide some humanitarian aid and communications equipment to

the opposition in Syria. How do you assess that? And are there any better answers? And if we could break Syria away from Iran -- my suggestion has been to grant immunity to the Bashar al-Assad family and hopefully get them out of the country and do what we did in -- we, the -- a collection of friendly states -- in Yemen, to provide a stable alternative government. But if we can't achieve that, how do you, as the leader of Canada, see a way forward?

PRIME MIN. HARPER: Well, first of all, we agree with the United States and with all our allies that there is no resolution without the -- without Assad stepping down and stepping aside. I mean, that is -- that is an essential part of this, and we're working cooperatively with all our allies on the sanctions regime. And obviously, it would be helped along if all members of the Security Council were cooperating with our objectives here.

This is, though -- you know, I think we have to be frank in saying this is a more complex situation than we faced in Libya. You know, in Libya, we faced essentially a family regime.

MS. HARMAN: Where Canada played a very leading role.

PRIME MIN. HARPER: We played a significant role. General Bouchard was the commander of the NATO forces. We're very proud of the work he did out of NATO.

But in the case of Libya, we faced the family regime and a widespread consensus and a -- and a widely formed opposition against that regime. In the case of Syria, it is more complex. The support for the Assad regime is deeper in some segments of the population than certainly it was in Libya in the -- in the case of Gadhafi, and the opposition is much more fragmented.

And the possibility of prolonged and widespread and dangerous chaos is much more marked.

So, you know, I think what we would all like to see is obviously, we'd like to see more unity among -- John Baird just came back from Friends of Syria -- we'd like to see more unity and strength among the opposition, but we'd also obviously like to see the government make changes and reach out and work with the opposition. It's hard to see how this ends well if both sides don't do that.

Our assessment is that, you know, the government -- the opposition does not appear strong enough to overthrow the government, and it's not clear to us that there would be a unified opposition if that did take place. And it also appears -- and it should be, you would think, clear to Assad and his people now -- that it doesn't appear that any amount of repression is actually going to stop the opposition or the rebellion or the demonstrations.

So, you know, as I say, it would be greatly helpful if we could get all members of the Security Council pulling towards a resolution. But we don't have that today.

MS. HARMAN: Right. Well, I need some questions in my hands. Is somebody bringing them? I assume you're asking questions. How many of you have written questions down on the cards? We need this.

MR. : Can you take them verbally?

MS. HARMAN: Well, I -- the deal -- here he is. The question man has arrived. (Laughter.) This was the plan we had. OK. OK, sorry. We've received questions on Keystone XL. What a surprise.

PRIME MIN. HARPER: Yeah.

MS. HARMAN: Here they are. Here was a summary of it. Americans are concerned about increased greenhouse gas emissions from oil sands. Should companies be forced to offset their oil sands production with greener production?

And let me just ask these together -- and if Keystone XL can be approved after the U.S. presidential election, will this affect your government's position on the Northern Gateway pipeline?

PRIME MIN. HARPER: Right.

Well, first of all, I think -- first of all, I -- you know, everything I've seen in the United States indicates pretty overwhelming public opinion in favor of the Keystone pipeline. President Obama has told me repeatedly that this decision will ultimately be made on the basis of its merits, and I have no reason not to believe him on that.

But in terms -- look, I think there's two things -- three things that are very important to say about this Keystone pipeline. The first is, one should not in any way minimize the sheer economic scale of this. I mean, this has the capacity of employing up to 30,000 people on both sides of the border. This is a huge energy product -- or project that will have enormously positive employment and economic activity effects across a range of industries in both countries, which is why business and labor are so strongly supportive of it.

Secondly -- we talked about this earlier -- energy security. The United States -- there -- it is not possible for the United States to get a friendlier and more secure supply of oil than -- anywhere than from Canada. It's just -- and if one looks at the options -- Middle East, Venezuela -- I mean, it's so obvious that this is the better option for energy security.

The third is that the environmental impacts of this should not be exaggerated. You know, oil sands oils, while they are heavy in emissions, are no heavier than typical heavy crudes -- no heavier than Venezuelan, for example, which is where a lot of the displaced oil will be from.

So -- and I say, not that there aren't environmental challenges in the oil sands. They are, but they should not be exaggerated or

somehow unique or somehow out of the mainstream of the oil industry. That's just not the case.

In terms of your second part of your question --

MS. HARMAN: The offsets.

PRIME MIN. HARPER: -- would -- would approval of this change our mind, the answer is no. Look, the very fact that a "no" could even be said underscores to our country that we must diversify our energy export markets. But as I say, we have taken a significant price hit by virtue of the fact that we're a -- (inaudible) -- supplier. And that just does not make sense in terms of the broader interests of the Canadian economy.

And look, I'm a strong and firm believer in the importance -- not just the economic importance of our relationship, but the security importance and the importance of the United States in the world, but we cannot -- we cannot take this to the point where we are creating risk in significant economic penalty to the Canadian economy. And to not diversify to Asia when Asia is the growing part of the world just simply makes no sense to Canada.

MS. HARMAN: Well, I -- Canada has every right to take that position. And I don't speak for the Obama administration. But I do think most Americans would prefer to buy oil from Canada than from a long list of other countries.

PRIME MIN. HARPER: (I would think so, yeah ?).

MS. HARMAN: But I also think -- in our country, with a strong environmental movement, there is this issue, which if you could just say a few words about it, about offsets, because as you say, it's a heavy crude and we buy it from other places. But I think a lot of people are concerned about that. And there were some concerns -- I assume there still are -- about the routing of the pipeline, or at least the northern --

PRIME MIN. HARPER: Yeah, my understanding is the routing concerns have been addressed in Nebraska itself. You know, offsets -- look, I'm not sure I'm much of a believer in offsets. I think if you're concerned about -- if you're concerned about emissions, you find a way of controlling emissions. You know, offsets are a way of pretending you've addressed emissions when you really haven't. (Laughter.)

MS. HARMAN: Changing the subject -- (laughter) -- when will Canada and the United States -- I guess the question to you is when will Canada decide to form a customs union?

PRIME MIN. HARPER: Yeah. Well, I think that's a purely theoretical question, because I certainly -- you know, since we've signed NAFTA, there's obviously been a tremendous growth in trade and integration and integration of supply chains between our economies.

But I have sensed no appetite, particularly in the United States, to take the economic relationship to any fundamentally deeper level than it is today in terms of things like a customs union. So I just don't think that's in the cards, particularly in the context of NAFTA. And it probably has more to do with the Mexican-American relationship than with the American-Canadian relationship. But nevertheless, I think that's the situation.

What we have done with the Obama administration is we have this Beyond the Border initiative --

MS. HARMAN: Right.

PRIME MIN. HARPER: -- where we are finding ways of avoiding duplicative screening when we cross the border, where we're finding ways of doing more and more of our screening and security checks on the perimeter of the continent rather than at the border. So these are ways to significantly increase integration and trade and tourism flow across the border. But I don't think -- I just don't see a customs union being in the cards.

MS. HARMAN: I also think those are very smart initiatives. You know, another term for that is a smart border.

PRIME MIN. HARPER: Yeah.

MS. HARMAN: And pushing the border out that way is smart. We did that in the United States with something we call the Safe Ports Act, which requires cargo, which can be a great risk to our country, to be screened at the point of embarkation in China or some other Asian port -- pick that -- and then the cargo secure across the ocean, so that when it arrives at our ports, it isn't dangerous. It also speeds up commerce.

I mean, there are ways to mesh these priorities. And it seems to me that initiative --

PRIME MIN. HARPER: We're increasingly trying to --

MS. HARMAN: -- was a very helpful one.

PRIME MIN. HARPER: -- adopt the view, you know, is something -- I forget what the exact term is -- checked once and verified twice, essentially. It's once it's checked in one country, it's good in both.

MS. HARMAN: I'm checking my watch, but I think we still have more time. So I could use a few more questions, unless I can't see that clock very well, which I can't.

But here's one. You have made the Arctic a central priority in your domestic and foreign policy. Ice in the Arctic Ocean has been melting at unprecedented rates, causing concern among some, but opening previously unavailable resources as well as new shipping routes.

Is the Arctic a place for cooperation or competition? Where does Canada fit?

PRIME MIN. HARPER: Well, it's probably -- it's probably a place for a little bit of both. It is true that -- it is true that more of the ice is melting. It's also true that I think the economics of commodity prices are going to drive resource development in areas like the Arctic, where costs are higher and where traditionally it's been harder to make economic projects viable.

We have put a big emphasis -- I mean, a big part of our country is actually in the Arctic region. We put a big emphasis on securing our sovereignty there and seeing those resources developed, not just for the benefit of the country but particularly for the economic opportunity of the people who live there.

Through the Arctic Council and others, we -- you know, we do cooperate. We're cooperating, for instance, on the United Nations Convention on the Law of the Sea and the mapping of the Arctic seabed and the resolution of various claims. But those things all said, there will be -- as there are in all parts of the world these days, there will also be some pretty, I think, increasingly intense competition for economic activity in that part of the world. MS. HARMAN: Changing the subject back to the border, can we do more on each side of the border, such as biometrics, to allow good people to cross faster and easier?

PRIME MIN. HARPER: Yeah, the Beyond the Border initiative I mentioned earlier, enhanced investments in biometrics, in information sharing between our various security agencies, those are all part of the program that we put together with the Obama administration.

The principle is really very simple. It's how do we -- how do we increase the ability of ordinary businesses, ordinary travelers and tourists, friends and neighbors, to cross the border regularly and seamlessly, while at the same time being able to identify risks and threats and identify them early, and often away from the border. And biometrics, information sharing, all of those things are part of the answer to that equation.

I'm -- you know, I'm of the strong view that -- you know, we've seen this all over the place. I'm of the strong view that, you know, checking millions and millions of people, making them go through lineups, making them go through screening, is not, in and of itself, an effective way to identify the potentially dangerous. And we have to have more sophisticated ways of doing that.

MS. HARMAN: Well, I think you were just describing TSA. (Laughter.) But having talked to the -- having been in at the creation, I just would say a couple of things. One, we're getting smarter about how we do that. But two, we have, in our country, and I assume you do too, layered security. We don't just have one way to try to catch people. And these things are all deterrents. Unfortunately, they're also, some of them, enormous inconveniences and seem very silly.

But I'd just point out, one of the things that TSA is always hit with is, well, why do little kids have to be checked, or babies? Well, some of the folks trying to attack us have no respect for human life and are happy to use babies or little kids; you know, put explosives underneath them or strap things onto them. And it's highly unfortunate, but they don't value life the way we do. So therefore, we do need processes sometimes that look at people who would not logically or likely, in most cases, be suspects.

But changing the subject to health care, which didn't come up -- I didn't raise it; you didn't raise it either -- it's kind of a big topic in this country in the last several weeks. As the head of a country with long-standing universal health care, do you see this as a budgetary burden or boon?

PRIME MIN. HARPER: That's a -- that's a --

MS. HARMAN: Thank you, questioner; pretty interesting.

PRIME MIN. HARPER: It's a tough question. You know, it depends on the context. Many Canadian businesses will tell you that having a universal single-payer system simplifies life for them and reduces the cost of doing business.

On the other hand, we can't fool people and not tell you that the growth of -- the sheer growth of health care budgets in Canada is a serious concern to all senior governments. Health care budgets, over a long period of time, have been growing faster than our economy.

Now, mind you, I would make -- Jane, I would make this observation, that I know that the health care system of the United States is very different than the health care system of Canada. And, you know, all western developed countries have variants of a mixed health care system.

My observation would be that, in spite of these various differences, the problems that afflict virtually all of them are the same, and that is the costs and the pressures on them keep growing faster than the ability of western countries to sustain economic growth.

Why is that? I think there are two reasons. One is that the fact of the matter is -- and this is a good thing -- the fact of the matter is that nowadays we can do so much in terms of health care, so much in terms of curing people and extending life. In fact, if we have an unlimited supply of money, we can almost do an unlimited amount of things.

The problem is we don't have an unlimited supply of money, so we have to find ways of limiting it. But our capacity to improve and sustain life has grown enormously over the past couple of generations. That's a more difficult problem.

The other problem, of course, is that our economies are not growing fast enough. And this is something I've talked to the Canadian

people about. I mean, you know, we just won a national election in Canada by emphasizing the fact that the Canadian economy has done so much better than other developed economies over the past several years during a recession and recovery.

But the truth of the matter is that's not a very good measure, because, you know, most developed economies aren't growing the way they need to be growing. And one of the things we have got to do in Canada and everywhere is find ways of increasing the productive capacity and the growth capacity of our economy.

That's why -- you know, as I say, we just tabled the budget. We had a whole range of measures there, not just the fiscal measures and not just the regulatory measures I talked about, but immigration and innovation and other kinds of measures so that we can -- we can keep growing our economy and keep funding programs like our health care program, which our citizens want and our citizens value.

But the truth of the matter is -- and I say -- I try to say this was a wake-up call to Canadians. What I would say -- the same thing here in the United States and in Europe. You know, I travel to Asia, and -- as I know many people in the audience do here and other parts of the world. And when you see these big emerging economies, I mean, these people are smart, they are hungry, and they are hardworking. And unless we find ways of competing with them and growing, we're going to be under considerable pressure regardless of what the nature of our health care system is. And that's the real challenge we have.

MS. HARMAN: Well, I'm -- I surely agree. I think everyone agrees. The challenges are hard. One of the big issues that came up during the health care fight I was in in Congress was this issue of rationing care and the disproportionate amount spent at the end of life as against the beginning of life. I assume you have those same issues --

PRIME MIN. HARPER: Absolutely.

MS. HARMAN: -- even with national health care.

PRIME MIN. HARPER: Well, in some ways, even more.

MS. HARMAN: In some ways, even more, because there are, I guess, defined benefits that go to a certain point, and then you can call that rationing.

PRIME MIN. HARPER: Well, the government is -- the government is the sole provider, so that lands directly on the government's lap. And you know, frankly, it's -- the provincial governments do it in Canada. But figuring out how to ration those services and how to make the best use of the dollars is an -- are increasingly difficult decisions.

MS. HARMAN: Right. All right, well, we have a lot of other questions, and I think we -- and I can't really see, but I think we have 11 minutes to go or so. So let's just pick a few random ones. This one about the Trans-Pacific Partnership, it did come up today about the TPP

and Canada's interest in joining it, and Mexico's too. And I think President Obama was asked whether he would support that, and I believe he said yes.

PRIME MIN. HARPER: He was very positive in his -- (inaudible).

MS. HARMAN: So this question is, when will Canada join the TPP? (Laughter.) You're the prime minister. We expect you to know the answer to this.

PRIME MIN. HARPER: Well, Canada -- (laughter) -- yeah. Well, Canada has certainly indicated our strong interest. We have -- we have a very aggressive trade negotiation agenda. I remind people that when our government took office in 2006, in spite of the fact that we're one of the most open trading economies in the developed world, Canada had trade agreements with only five countries in the entire world, which was one of the absolute lowest. We've signed trade deals with nine additional countries, and we're in the process of negotiating with 50 others, including right now the European Union, who we're still optimistic about signing an agreement with this year, with Japan, with India.

And so our interest in joining the Trans-Pacific Partnership is only natural. We already have agreements with three of the countries in the Trans-Pacific Partnership, including, obviously, the United States, and our strong sense is that most -- is that most of the members of the Trans-Pacific Partnership would like to see Canada join. I think there's some debate, particularly within the administration, about the merits of that, but, you know, our strong view is that if we're to build on the North American advantage, the integration we have in -- here in NAFTA, and frankly, to get around the table, where you want some people who have some shared interests, it makes sense for all three of the NAFTA partners to be part of this.

MS. HARMAN: We have put these together, a couple more environmental questions and then another border question.

You have just instituted spending cuts, and this questioner has heard that there will be cuts to air quality programs. He wants -- or he or she wants to know whether Canadian scientists can continue to collaborate with their U.S. counterparts. And another question, but it could be answered together, is what role should hydropower play in Canada's clean energy exports to the U.S.?

PRIME MIN. HARPER: First of all, on -- just on the government's budgetary savings, the scale of our savings program in Canada is really very modest compared to what you're reading about in most Western developed countries. Our budgetary plan to get back to balance involves essentially a 2 percent reduction in federal spending over a three-year period. So this is not -- these are not enormous sums of money.

And what we are trying to do in all kinds of areas of government is essentially find ways -- I won't say we aren't cutting some programs, but we're essentially trying to find ways that we can deliver similar services and goods to the Canadian public at, frankly, a lesser cost than

we've been doing so. And we believe there is lots of room for efficiency in the federal government. I hear rumors about that in the federal government here as well. (Laughter.)

So look, I -- you know, our -- the fact that we engage in air quality programs and collaboration with our American counterparts, that isn't going to change.

What was the second part of it?

MS. HARMAN: Hydropower.

PRIME MIN. HARPER: Oh, hydropower. Well, we're already a significant exporter of hydro energy to the United States, both from -- Manitoba does some; and Quebec, of course, is the very big exporter of hydropower. And we have a fairly integrated electricity market between our two countries already.

But look, there's -- there's lots of capacity for Canada to dramatically increase its hydroelectric power and to export more of that power to the United States.

Now, this is one form of energy we will not be exporting to Asia. (Laughter.) So we have --

MS. HARMAN: That would be tricky.

PRIME MIN. HARPER: Yeah. We have -- we have tremendous capacity for growth here. And there are regulatory obstacles on both sides of the border. We're addressing the ones on our side of the border and think it would make a lot of sense for the United States to find ways of purchasing more clean hydropower from Canada.

MS. HARMAN: Speaking of borders -- this is very specific -- the new bridge between Windsor and Detroit will help make our border seamless. Why not forge an agreement with President Obama on this?

PRIME MIN. HARPER: Yeah, we have been working with American governments for some years. Some of you may know that there are unusual circumstances, I will just say, around the Detroit-Windsor crossing that we're trying to overcome. We think it is essential -- well, you know, let's be frank about that. There is a -- there is a bridge there today that has a private owner. And my understanding of the private owner's position is that he not only owns the bridge, but somehow owns the broader crossing. Of course, we don't accept that. It's just a -- it's obviously a public space. And governments on both sides of the border have a right to make sure that we have the ability of the growing cross-border traffic to be accommodated within infrastructure. And I think the preference of all governments would be public infrastructure.

We have found that in terms of your responsibilities on your side of the border, we find ourselves primarily dealing with the -- with the state of Michigan rather than the government of the United States. That's where the locus of authority really is here. And we have a very

good working relationship with the governor there, and we believe we're making significant progress to realizing a new crossing, hopefully before I leave office. (Laughter.)

MS. HARMAN: Well, at least we can agree that that's not a bridge to nowhere. (Laughter.)

PRIME MIN. HARPER: Yeah. Well, this is the biggest -- this is the biggest single -- you know, this is the biggest single corridor of trade in the world. And the concept that somebody could claim that he privately owns it all is, to me -- is, to me, ludicrous. But to some degree, that is the situation we're dealing with today.

MS. HARMAN: Good questions, don't you agree? Thank you, folks. These are really good.

A few more -- we have five minutes. I don't want to presume on your time. But here's one on immigration: how Canadian immigration policies helped it attract highly skilled labor. And there was a question at noon put to you about visa policy, especially visa policy with Mexico. I think the Mexican (president ?) asked that. So we're not doing so well on immigration policy. How are you doing? (Laughter.)

PRIME MIN. HARPER: Well, you know, like the United States, Canada has always been a land of immigrants. And you know, I like to remind people, as in the United States, you will hear lots of critiques of Canadian immigration policy, even in many cases from immigrants themselves. But the fact of the matter is, notwithstanding all of the deficiencies of Canadian immigration policy, that immigration has been, and immigrants have been, overwhelmingly successful in Canada.

And you know, the diversity and the dynamism and the energy and the hope that immigrants bring to our two countries -- I don't think we can really overstate how important that is. You know, we -- you can look at immigrants just as people who contribute to the economy, but they provide a vitality and excitement about our nations that really is unmatched anywhere.

And there are so few places in the world -- Canada, we like to think we're number one in terms of the ability of someone to come from anywhere and become ultimately part of -- a full-fledged part of the community. That is a very unique experience. And in a globalized world, where we're increasingly all living much closer than we realize, this is a tremendous advantage. You know, you go to a country like Japan, Japan is a wonderful country, but Japan has an aging population problem, as we all do, but Japan also has a diversity problem. Japan doesn't have immigration. Japan doesn't have the benefits of immigration, not just it lacks the economic benefits and the demographic benefits, it lacks the cultural advantages of immigration, which I think are substantial.

So I -- you know, as I say, notwithstanding all the critiques, immigration has been a great thing for both our countries, particularly for Canada. However, our government has said that, you know, in the context of the labor market challenges that we face through an aging

population, that making sure immigration better serves our economic and labor force needs is a priority. And we are in the process, through the budget and other actions, of making some significant changes to our immigration system so that it is more targeted on those economic and labor force needs. It serves those needs well, but often not as much by design as it should be.

MS. HARMAN: Well, that's an ongoing subject of discussion here, too, as is comprehensive immigration reform, which we came close to enacting a few years back, strongly supported by President Bush 43. And sadly, we missed it just by a couple of votes.

But one of the perceptions -- I'll just -- we have -- I'll ask you one more of these questions, but I just wanted to comment on this -- that at least I heard from our security folks over the years was that it's much easier to get into Canada than it is to our country and that one of the worries was some folks who are not appealing could get into your country and then try to cross the border to attack us in our country, one of whom was a fellow named Ahmed Ressam, who was apprehended at the -- at the border with Washington State and who had a rental car with a trunk full of explosives intending to blow up LAX, an airport then in my congressional district, so I focused on that. But illegal immigration is a challenge in both countries.

PRIME MIN. HARPER: Yeah, we work very closely with our American counterparts on all of these security challenges. In some of the ones you mentioned, there has been a really outstanding cross-border cooperation.

But I would say this: Just in terms of -- I sometimes hear these concerns about, you know, dangerous immigration from Canada. I will tell you today, with a -- beyond a shadow of a doubt that there is a far higher percentage of illegal immigrants in the United States than in Canada.

MS. HARMAN: Right.

PRIME MIN. HARPER: And I can -- I can --

MS. HARMAN: I don't think anyone would argue. (Chuckles.)

PRIME MIN. HARPER: I can also tell you that in terms of movement across the border, in terms of undesirable individuals or weapons, drugs, there is far more that comes north than goes south. (Laughter.) So I think that's just something that's important to remember.

MS. HARMAN: Well. Ah, yes. (Laughter, applause.)

I think our clock has run out, but if you could -- you're so quick -- (laughter) -- I thought -- I thought this would be a good end, as there are -- sadly, we couldn't get to every question, but this is a good way to end this: What, in your experience, is the greatest myth people hold about Canada and Canadians? (Laughter.)

PRIME MIN. HARPER: Yeah, I -- (laughter) -- I guess -- I guess I don't know how to answer that. You know, there's all kinds of stories about -- I don't know how true they are -- about Americans showing up in Canada in the middle of summer wearing winter clothing.

(Laughter.) It's not quite that cold all the time. (Laughter.)

Look, I think the greatest -- maybe not myth -- the greatest misunderstanding, the greatest challenge that Canada has in the United States is that the relationship between us is so deep and so close and, for the most part, so seamless that in spite of its enormous size, Americans simply do not understand the scale and economic consequence of it. And that is the greatest thing -- the greatest challenge that we face. It's -- the greatest challenge we face is often getting -- you know, getting attention in the United States to issues that are important to us, you know, as I say, partly because it is such a smooth and seamless relationship for the most part. That's really the big challenge that Canada always faces. It's been a -- been a profile challenge in the United States.

I -- Tom -- and occasionally, we often will find ourselves -- on matters that are before Congress or before the administration, we find ourselves sometimes getting sideswiped, you know, like -- take the "Buy America" provisions. There'll be other things. We'll often get sideswiped significantly by policies that have absolutely nothing to do with Canada. And I like to quote Tom Donohue on this. He always reminds me never to take any of this personally or never to take it badly in Canada, as Canadians sometimes do. He says the only -- the only reason Americans and the United States sometimes treats Canada badly is because we view Canadians not really as a foreign country, we view Canadians as family, and that's how we treat our family. (Laughter.)

MS. HARMAN: And on that note, on behalf of the Wilson Center Directors Forum, we'd like to thank you, Mr. Prime Minister, and your top government officials, and your beloved ambassador, for spending -- I guess making this your only private stop on your visit to Washington on this trip.

PRIME MIN. HARPER: Well, I appreciate the opportunity. It's been great.

MS. HARMAN: I think everyone has enjoyed enormously your humor, your substance, and your commitment to our shared relationship. Thank you.

PRIME MIN. HARPER: Great. Thank you. Thank you. (Applause.) Thanks a lot. (Applause.)

END.