



CANADA - UNITED KINGDOM
Chamber of Commerce
1921—2006 85th Year

38 Grosvenor Street
London W1K 4DP
Tel: +44 (0) 20 7258 6578
Fax: +44 (0) 20 7258 6594
Email: info@canada-uk.org
www.canada-uk.org

**HON. JIM FLAHERTY,
MINISTER OF FINANCE, CANADA
CANADA—UK CHAMBER OF COMMERCE**

**“UNLEASHING CANADA’S ENORMOUS POTENTIAL”
14 JUNE 2006 at the Law Society, London**

Good afternoon,

I am honoured to be here today to have the opportunity to provide some insight into the new approach being taken in Canada by Canada’s new government.

This is a time of profound change. There has been a shift in priorities and direction, not just for government, but for all Canadians.

Je suis honoré de me trouver ici aujourd’hui et d’avoir l’occasion de vous donner un aperçu de l’approche que le nouveau gouvernement du Canada a adoptée.

Nous vivons à une époque de profonds changements. Les priorités et l’orientation ont changé, non seulement pour le gouvernement, mais aussi pour tous les Canadiens.

People had grown weary of federal governments that overtaxed, overspent and generally accepted the premise that the status quo was as good as it gets.

People turned to Stephen Harper and the Conservative Party insisting on action over rhetoric. In just over 100 days the progress of our government has been striking; we are lowering taxes, balancing the books, controlling spending, paying down debt, investing in education and research and rebuilding our infrastructure.

Being Canadian today means being ambitious, innovative, confident and optimistic.

It means seeing ourselves and the world with new eyes and a new will to achieve more than ever before.



From an ocean away it may be difficult to appreciate, but there is a new momentum building in Canada.

We are opening the doors to greater opportunity, we are unleashing our country’s enormous potential, and we are improving Canada’s ability to attract global investment.

Economic Fundamentals

Two decades ago, few would have believed that Canada could be deficit free.

In fact, elites in our society would have been divided on the benefits of a deficit free approach to fiscal policy.

This zero tolerance on the deficit has become the policy preference and larger reality at the federal level and throughout most of our provinces.

Debt levels, which peaked in the early nineties, have declined steadily as a percentage of our gross domestic product.

They have contributed to an economy with fundamentals that are as solid as the rock of

Gibraltar.

That reduction in debt and deficit spending has not increased unemployment, but quite the opposite.

Unemployment is at its lowest level in more than 30 years. In fact, last month the Canadian economy added nearly 100,000 new full time jobs... more than six times the number forecast.

We were the only G7 country to record a budget surplus in 2004 and 2005, and the OECD projects we will be the only country to record a surplus this year and next.

Real GDP is currently in its 15th year of expansion, the second longest run in postwar history.

Core inflation has remained below 2% for over two years;

And our corporate profits are at record highs.

The government, of which I am a part, has some clear views on the priorities for the economic and social infrastructure of Canada. Simply put, we want to liberate the forces of investment, moderate the cost of government and enhance the depth and capacity of capital markets.

This will sustain, not only an ever more sophisticated economic base in Canada, but also an ever more outward looking Canadian economy.

Certainly, the first budget I presented to the parliament of Canada on behalf of Canada's new government, underlined clearly our focus on principles and priorities.

Tax Relief and Infrastructure

Tax reductions across the board: business taxes, consumption taxes and income taxes. More tax relief than the last four federal budgets combined.

Major long-term investments in our infrastructure, including our trade gateways to Asia and the U.S.

New money for the infrastructure of civility, like healthcare and post secondary education.

Strategic Place to Invest

It is these types of investments that will increase the allure of what is already a monumental asset: Canada's energy resources. We are an emerging energy powerhouse. In fact, we have surpassed Saudi Arabia as the largest supplier of oil to the United States.

We also supply the United States with more natural gas, uranium and electricity than any other jurisdiction.

Canada's potential in the energy field is substantial and poised for further acceleration in production and exploration.



Approximately \$45 billion in new projects and expansions are expected in the Alberta oil sands by 2010, with oil sands production expected to triple over the next 10 years.

Canada's cumulative investment in the energy sector between now and 2015 is projected to be about \$400 billion, half of which will be in conventional oil and gas.

Although we are looking forward to the prospect of energy investment, the real strength of the Canadian economy is diversification.

We have seen tremendous growth in a variety of areas such as mining, forestry, finance, insurance, pharma, plastics and the auto sector, just to name a few.

As a result, a wide variety of Canadian made products are available right here in London.

The U.K. is Canada's third largest export market world wide, and our most important commercial partner in Europe.

On the investment side, the U.K. is Canada's second largest source of foreign direct investment.

And that makes perfect sense. Our two countries have historic ties, an international outlook and a similar geographic advantage.

Canada's proximity to the United States and Mexico makes us the perfect launching pad for investors looking to expand into North America.

An advantage that is attracting many to my home city of Toronto, where one out of two people were born outside Canada.

The U.K. on the other hand, is perfectly situated as a launching pad into Europe, and London is often described as "the world's most international centre."

Clearly, the U.K. has become an important destination for a contingent of Canadian banks, insurance companies, securities dealers and law firms.

I encourage investors in the U.K. to avail themselves of the possibilities that await them across the Atlantic.

Canada is a country on the move. We are increasing opportunity, promoting enterprise and seeding a culture of innovation that investors will not be able to ignore.

Good Government

As you can see we are as committed to encouraging global investment as we are to investing in Canada's capacity to meet its obligations internationally as part of our military alliances, our North American obligations and partnership and our international humanitarian commitments.

We are determined to be a government of practical progress on the crucial economic, geopolitical and social infrastructure priorities that reflect our values and principles as Canadians.

The transition brought on by the election of last January is not a radical shift along any left right spectrum, however some may choose to exaggerate it that way.

It is, rather, a shift along a spectrum of practicality. One that is both well financed and effectively implemented.

A More Stable Global Economy

We are applying the same results-oriented, pragmatic, and focused approach to our international affairs.

Real progress in the international arena is made by committing to realistic goals—not by signing communiqués with flowery language that stand little chance of implementation.

Take IMF reform for example. Reforming the IMF is critical if we are to address the issue of global imbalance.

The global economy has proven remarkably resilient in recent years. Yet with the world economy is becoming increasingly integrated, difficulties in our own economies can have a ripple effect throughout the world.



[Photo: Acting High Commissioner to the UK Guy Saint-Jacques; Minister Flaherty and Chamber President Victor Dahdaleh]

As a result, Canada has emerged as a world leader, working in concert with Britain and the US to reform the IMF to ensure it plays a key role in promoting global action through enhanced multilateral surveillance, especially exchange rates.

Over the years, key elements of the IMF's governance structure have gone awry, due in part to the spectacular growth of some emerging nations.

This growth has lifted millions of people out of poverty and is clearly the "dividend" of globalization.

These emerging markets have a valid complaint—for some, their position in the Fund is inconsistent with their role in the global economy. This must be addressed.

Having said that, our emerging market partners must also recognize that the enormous benefits they receive from being a member in

the international trade and financial system entail obligations of their own.

With membership comes responsibility.

Canada, Britain and the U.S. are working together to encourage the governance reforms that will give these countries their proper role in the IMF.

We made substantial progress this past April in Washington, and our goal is to get an agreement on a first round of reforms by the IMF annual meetings in Singapore in September

International Relations

In a world of potential global pandemics, terrorist threats and changing economic relationships, the multilateral process is, arguably, more important than ever.

Yet, the simple reality is that our bilateral relationships with economic and geopolitical partners like the United Kingdom and the United States will remain the foundation of our international relations.

Already our Prime Minister has moved decisively to improve the working relationship with the Americans, our largest trading partner.

A World Leader

We are playing a leading role internationally, and at the same time making progress on our domestic agenda.

Canada has decided to step up to the plate in terms of its own fiscal and economic policy challenges.

Our standing in the G8 around issues of debt, employment, inflation and fiscal balance is largely unparalleled, something I re-emphasized during our latest G8 meeting on Saturday in Saint Petersburg.

Our commitment to a strategy focused on investment and growth is now deep and pervasive. By engaging on issues as diverse as fighting terrorism and encouraging democracy and economic reconstruction in Afghanistan, a new fiscal framework for our federal provincial relationships at home, supporting Canadian agriculture in transition during the present trade imbalances especially in grains and oil seeds, reaching an agreement with the United States

on the irritant of softwood lumber, we are tending to business.

The kind of Conservatives with whom I serve are the kind that believe in the organic linkage between all aspects of a free economy, sound and modest government, robust and confident markets and an engaged and hard working citizenry who benefit from equality of opportunity and a fair regulatory and fiscal context.

Public health care is a key part of that, as is lower taxes, moderate and modest government that knows its place and discharges its obligations honestly in an accountable and direct way.



[Photo: Minister Flaherty with Nigel Bacon, Executive Director of the Chamber]

The Canada that emerges from this is one that is confident and prudent, idealistic and practical, impressive without being self-obsessed.

As a trading nation with the longest coastline on three oceans in the world, our perspective must be global and our context deeply international.

Being a trustworthy ally, dynamic trading partner and fiscal example will require both discipline and focus. But that is the core of what Canadians voted for in January and it is what we are determined to deliver.

We are in a minority parliament, so the ideas of other parties matter, and are taken into consideration.

But our Prime Minister is working hard to provide Canadians with stable, balanced and effective government that is focused and straightforward.

If I have one message for you today, it is that the government serving Canadians is dramatically different.

Our priorities are more focused and less numerous.

Our fiscal stance is more precise and disciplined and our approach to attracting global investment is more open and determined.

Our desire to maximize our relationships on security, trade, economic and environmental issues has never been stronger and our stance as a reliable

international interlocutor and ally is clear.

It is a different balance, a different government, and a more precise reflection of core Canadian values around freedom, choice, stability, democracy and the virtues of community, family and the values of a pluralist but grounded society.

And that is a good thing for Canada and Canadians, and for all with whom we are fortunate to be partners and collaborators world wide like people here in the U.K.

Thank you



[Photo: Minister Flaherty at the press conference after the luncheon]