



December 15, 2008

Canada and South Korea are on the verge of signing a broad new air traffic agreement, while talks on a free trade agreement remain bogged down. This is a small step forward in what should be an important partnership for Canada in Asia.

Rethinking and Re-energizing the Canada-South Korea Relationship

Meeting for the first time since 2002, negotiators representing Seoul and Ottawa convened last month in Vancouver to discuss a bilateral open skies agreement. No agreement was signed, although a wide-ranging deal is expected to be finalized in a second round set to take place in the New Year. Despite lingering uncertainty over a Canada-South Korea FTA, the air services talks serve as an important reminder that Canada-Korea relations are moving forward.

In a rapidly changing global order in which giants like the US, China and India have cornered Canadian attention, relations with mid-sized Asian countries are easily overlooked. In a [March 2008 national opinion survey](#) conducted by APF Canada, only 37% of Canadians saw South Korea as important or very important to Canada's prosperity, and fewer than 1% saw the country offering the greatest market potential for Canada in Asia. Only 40% supported a free-trade agreement (FTA) with Seoul compared to 41% who opposed it. When asked about the state of bilateral relations compared to two years ago, 10% saw them as better, 7% worse, 56% the same, and a significant 27% did not know. Clearly, the picture of Canada's relationship with Korea, or what it could become, is underdeveloped and unclear. Yet now is the time that Canada should refresh and re-prioritize collaboration with countries such as South Korea.

Canada and Korea have what some have called a "special relationship" based on similarities in the size of population, climate, proximity to much larger and more powerful neighbours, close relations with the US, voting patterns in international organizations, shared commitments to democracy, human rights and the rule of law, intense domestic regionalism, and mutual positioning as "gateways" connecting North America and Asia.

Some of the strongest commonalities lie in the challenges that each country faces in managing a deep and complex relationship with the US, sustaining strong economic performance in an era of intense global competition and avoiding undue dependence on a single market. Beyond that, there is a growing Korean immigrant population in Canada, and a burgeoning cohort of Canadians in South Korea. About 150,000 people of Korean descent live in Canada and some 15,000 Canadian citizens are in Korea. Moreover, over 35,000 Korean students study in Canadian institutions in any given year, and it is estimated that as many as 10,000 Canadians can be found teaching English at educational institutions and universities in Korea.

In 2005, the two countries began free trade negotiations. Thirteen rounds later they have not been completed. The recently released report from the 6th Canada-Korea Forum, organized by the Asia Pacific Foundation of Canada, emphasizes that this failure is especially costly after the implosion of the Doha Round. ["Defining a Forward-Looking Partnership Between Korea and Canada"](#) points to the need for both governments to focus attention on bilateral possibilities and re-charge mutual corporate interest. Canada risks being sideswiped by the US-South Korea FTA in a variety of sectors, and could suffer serious reputational costs if it is seen as unable to complete a deal with a significant Asian economy.

Overall, the bilateral relationship can be described as "unfulfilled." Indeed, as [Dan Ciuriak's report](#) on Korea-Canada trade prepared for the 6th Canada-Korea Forum demonstrates, the economic relationship has been underperforming for more than a decade.

Whatever the trade-offs in specific sectors are, an FTA that re-energizes linkages with Korea is important to Canada for several reasons. First, Canadian companies can use Korea as a beachhead from which to pursue trade and investment opportunities in other Asian countries. Second, access to the Korean market allows Canada to more effectively participate in global supply chains. This meshes with the Gateway infrastructure projects being undertaken in both countries. Neither country sees the other as the major target of these activities, but both see them as integrating their economies into global and transpacific supply chains that are restructuring their respective national economies. Finally, the world economy is shifting from traditional multi-national corporations to global innovation enterprises in which a knowledge economy combines with increased mobility of finance and talent to create new zones of convergence. In this post-industrial setting, the key to national competitiveness lies in capturing high value-added components of production in global value chains. In turn, this depends on innovation in knowledge-based sectors.

Over the long-term the most important benefits of an FTA will be in the financial services and “new economy” sectors, including cultural industries, education services and new media/IT. These are industries where South Korea represents a dynamic and lucrative arena for generating exponential growth and innovation for Canadian businesses. One example of this potential is LG-Nortel, which was created in 2005 as a joint venture in telecom equipment and networking solutions. The Seoul-based venture combined LG's telecommunications infrastructure manufacturing division with Nortel's South Korean sales and service operation, and has shown significant success and long-term promise in both the Korean domestic market as well as internationally. The burgeoning online computer gaming industry is another area where Canadian business could benefit from partnerships with Korean firms, by strategically leveraging resources and expertise. Companies from Japan and the US have already begun to invest in the multi-billion dollar Korean online game industry. In 2007, Electronic Arts invested \$105 million in the Korean game company Neowiz. This deal involved acquisition of a 19% share of the company, co-development agreements and valuable global publishing rights. Then there is the education industry. Estimates place the annual value of revenue generated by Korean students in Canada at \$1.25 billion. Korea is an important player in global education, both in terms of sending students abroad for tertiary education and by inviting foreign institutions to establish innovative programs in collaborative and distance education.

Over the medium and long-term the most important domain of the economic relationship will be in the marketing of educational services and the new economy including new media, science and technology, tourism and the combination of energy and environment. Knowledge generation, its commercialization and collaborative innovation hubs are the next frontiers. As part of a broader strategy to connect with the larger Asian market, with or without an FTA, Canada must move creatively and swiftly to reinvigorate its ties with countries like Korea.

ISSN: 1712-0292

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