

**The 6th Meeting of the Canada-Korea Forum:
“Defining a Forward-Looking Partnership Between Korea and
Canada”**

*Millennium Seoul Hilton Hotel, Seoul, South Korea
7-9 September, 2008*

The Canada-Korea Forum was created in 1996 as a mechanism for high-level, unofficial and non-partisan discussion. Its objective is to deepen mutual understanding and find ways that governments can work with business and civil society organizations to strengthen bilateral relations and expand cooperation on pressing regional and global issues.

Earlier rounds of the Forum proposed and championed several innovative ideas that directly informed the public policy agenda in both countries. These included the Forum's early advocacy of a bilateral Free Trade Agreement, a regional multilateral process to deal with the North Korean problem, Canadian efforts to open North Korea, a bilateral Science and Technology agreement, and a special scholarship program to encourage academic exchanges between the two countries.

Organized by the Seoul Forum for International Affairs and the Asia Pacific Foundation of Canada, with financial support from the Korea Foundation, the Asia Pacific Foundation and the Canadian Department of Foreign Affairs and International Trade, the 6th round was held in Seoul on September 7 – 8, 2008. It took place amidst a deepening financial crisis in the United States, turbulence in the Six Party Talks, frustration on both sides about the thinning of bilateral economic relations and the inability to conclude the free trade negotiations, and intense curiosity about the outcome of the US presidential election in November.

Han Sung Joo, former foreign minister and president of Korea University, served as Korean Co-Chair. The Korean hosts brought some 30 serving officials, past officials and leading academics into the discussion. Included as panelists and keynote speakers were a former prime minister, two former foreign ministers, and the serving Vice-Minister of Foreign Affairs.

A Canadian delegation of 14 headed by the Canadian Co-Chair, Stephen J. Toope, President of the University of British Columbia, included senior academics, business people, professionals and diplomats including Ambassador Ted Lipman. The call of the federal election in Canada on the eve of the Forum meant that the Canadian parliamentarians scheduled to attend had to cancel at the last moment.

The members of the Canadian delegation also benefited from site visits on September 9 to Seoul Digital Media City and the Demilitarized Zone, as well as from private discussions with several academics, government officials and National Assembly members.

A full list of the participants on both sides, the agenda, the two papers commissioned by the Canadian delegation, and the text of the speech delivered by the Vice-Minister of Foreign Affairs, Mr. Shin Kak Soo, are attached.

The discussions at the plenary meeting of the Forum and in private conversations surrounding it were wide ranging, frank and constructive. The main topics included bilateral relations, especially in the economic sphere, the new institutional architecture in Asia in the context of China's rise, and how best to cooperate in advancing human rights and democracy in a tough neighborhood.

Earlier meetings of the Forum had focused on the idea of building a "special partnership." The objective in this round was to define the rationale and ingredients that could generate a "forward-looking partnership."

The highlights and recommendations are:

The Rationale for a Deeper Relationship

The rationale for making bilateral relations a higher priority is based upon shared interests, values, aspirations and challenges. They rest upon common foundations related to population, climate, geographic proximity to much larger and more powerful neighbours, close relations with the United States, similar 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 United States, sustaining strong economic performance in an era of intense global competition, and avoiding undue dependence on a single market. One participant added the Canadian experience with the rule of law in areas like labour relations and corporate governance as instructive about the kinds of challenges that South Korea is also facing.

The new development is the rise of global China and the affect of its gravitational pull. The impact on the Canadian economy is significant; the impact on South Korea's is

extraordinary. China is now South Korea's largest trading partner: Korea exports more to China than it does to either Japan or the United States. And it is likely that two-way South Korea-China trade will very soon surpass China-Japan trade. When tourism, two-way flows of students, and two-way investment and integration of production are taken into account, the degree of Korean integration into the Chinese economic sphere may approach in the next decade that of Canada's into the American. In the words of one Korean participant, "South Korea is not just a Gateway to East Asia; it's part of an integrated East Asia production zone with China at its centre."

This poses difficult challenges to diversification and independence familiar to Canadians. But it also poses an acute geo-political dilemma as South Korea simultaneously pursues a revised and multi-dimensional security alliance with the United States.

Economic Issues

While Canada-Korea trade in goods and services has rebounded after the 1997 economic crisis, it is a declining part of each country's global market share. There is frustration in both capitals about the inability to conclude the FTA and to move from an S&T MOU to a full S&T agreement with joint funding.

The background paper by Dan Ciuriak makes a persuasive case that the bilateral economic relationship is under-performing. Using Australia as a benchmark because of its similarity to Canada in terms of economic structure and its policy commitment to the Asia Pacific region, the paper demonstrates that South Korea's engagement in the Canadian market in terms of exports and outward investment has tracked its engagement in the Australian market, in line with expectations. But while Canada's engagement in the Korean market was in line with Australia's a decade ago, at a time when the United States' share of Canada's trade and investment was peaking, Australia has since opened up a sizeable lead in terms of exports and outward investment – even as the post-9/11 thickening of the US border has reduced the US share of Canadian commerce and opened up room for other countries. Australia is not just doing better in energy deals but is more effectively using South Korea as an entry point into regional production networks.

The failure to conclude the Canada-Korea FTA is costly to both sides, especially in the context of the implosion of the Doha Round. There is lost growth in GDP, new risks of Canada being sideswiped by the US-Korea FTA in a variety of sectors, and reputational costs in being unable to complete a deal with a significant Asian economy. It also robs both governments of the opportunity to focus attention on bilateral possibilities and re-charge corporate interest in both countries.

The mutual need for diversification is not yet fully appreciated. It could provide a strategic rationale for overriding domestic opposition to the FTA in both countries.

However, to make a full accounting of the current state and potential of the bilateral relationship, new metrics need to be developed to capture the real and potential value of knowledge based-activities. In this regard, the participants discussed a vision of the

relationship that went well beyond the confines of the issues addressed in FTAs and conventional trade and investment flows.

Several pointed to a new paradigm of international economics centred on the “new” or “knowledge” economy. The world 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 what one participant called “new zones of convergence.” In this paradigm 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.

Participants looked at several sectors including new media, science and technology, educational services, tourism and the combination of energy and environment as particularly promising for deepening bilateral relations. It may be that knowledge generation and commercialization bases in Canada can be connected to Asian markets in creative new ways as the most potent embodiment of a trans-Pacific Gateway. New-economy industrial zones can serve as platforms for connecting capital, technology and people into what one participant described as “collaborative innovation hubs.”

Educational connections between the two countries are especially important. Educational services are already a major economic sector, equally important to the auto sector measured in conventional terms. If looked at as a generator of other economic activity by way of real estate transactions and a catalyst to two-way investment, the figure may be larger. For example, a Korean student graduating from studies in the natural sciences in a Canadian university who establishes collaboration and commercialization links across the Pacific could generate economic value substantially greater than the amount of services trade accounted for by tuition, travel and living expenses.

The provision of educational services is thus not just an economic sector; it is an economic multiplier and a foundation for other commercial interactions and mutual understanding.

One of the best indicators of global competitiveness is the level of development of the human capital formation system at all four levels of education and how well it is synchronized with other sectors in society including business, government agencies, social services, and non-profits. This system forms the core of the new knowledge-economy clusters that provide the competitive edge to advanced economies.

Past meetings of the Forum all addressed the need for building educational connections. At this round, attention focused on the rationale and instruments for expanding research and student exchange at the *quaternary level*, that is after completion of an undergraduate degree. University leaders have identified the central role that quaternary education plays in the advancement of overall economic productivity and societal well being. New scholarship programs announced by the federal government in Canada are a step in the right direction but need to be expanded and better targeted at Korean students where commercial and scientific prospects are especially bright.

The presence of a large and dynamic Korean community in Canada can be of help in all of these new economy areas. There are signs that significant numbers of second and third generation Canadians of Korean descent retain an abiding interest in Korea and see their career and family futures linking the two countries. The information technology revolution has created an unprecedented opportunity to build on these connections through online communities in areas of economic interest, but also on broader issues of social and political interest.

Cooperation on Regional and Global Issues

Significant groups in both countries are committed to advancing democracy, human rights and the rule of law domestically and internationally. This is a global imperative but particularly complicated in South Korea's immediate neighbourhood.

Participants noted the close cooperation between Canadian and Korean officials in many international fora including the UN, the WTO and regional organizations including APEC and the ARF. One Korean participant identified deeper collaboration on peace keeping human security, developmental assistance and Africa as realistic goals.

With reference to North Korea, participants from both sides reiterated the value of the Six Party Talks and looked at ways that "second circle" countries like Canada could support it in dealing with the North Korean nuclear problem and the deeper problem of integrating North Korea into a constructive regional role. Though the Six Party talks remain difficult and uncertain, participants felt that Canada could play a constructive role in ramping up capacity-building efforts in North Korea designed to familiarize technical elites in North Korea with economic, commercial and social standards and approaches in the international community.

There was less enthusiasm for Canada trying to play a special role in convening meetings or attempting to coordinate the capacity-building activities of other countries. At this point it may give a wrong signal to North Korea that large-scale developmental assistance programs are on the immediate horizon.

China's economic rise to global power status is of deep interest for economic reasons but also political and institutional. The institutional architecture of Asia and Asia Pacific is increasingly complex and now includes several Asian-only organizations. Korea has played an important role in setting out the vision and direction of East Asian regionalism. And it has a special interest in reinforcing that what some of the Korean participants described as its "middle power" role in balancing intra-Asian and trans-Pacific institutions. Korean and Canadian officials need to continue to work in concert to maintain an open and inclusive institutional architecture that has the potential to harness the rivalries among China, India, and Japan into a cooperative framework devoted to common goals.

There was not yet a consensus in either country on whether processes to promote democracy, such as the “League of Democracies” or the Asia Pacific Democratic Partnership were worthy of immediate support. But it was recognized that pressure would increase in both countries and internationally to focus more attention on human rights and democracy issues in Northeast Asia, including in China and North Korea.

From Here

Canada and South Korea are operating in a fast-changing context. The flow of people, ideas and culture between the two countries has never been greater. Businesses, universities, and community organizations are building connections and networks in unprecedented ways. But national leadership remains essential.

First, the Forum participants would welcome a Prime Ministerial or Presidential visit in the near future, preferably to celebrate the conclusion of an FTA or the signing of a formal Science and Technology Treaty similar to what Canada has in place with China and India.

Second, it is time to supplement the programs that focus on Canadian and Korean studies with a system of scholarships that facilitate exchanges at the quaternary stage of education where direct links to economic competitiveness are most significant.

Third, the new economy connections deserve more attention and resources. They already comprise some of the largest sectors in the bilateral relationship but have the potential to be its future driver. Showcasing successes, removing regulatory and other obstacles, and encouraging new entrants and awareness on both sides may be the most important “gateway” activity that we can undertake.

Fourth, the Canadian government in the company of other “second circle” countries can assist the Six Party Talks by expanding support for capacity-building activities inside North Korea.

Fifth, the promotion of democracy, human rights and the rule of law are fundamental objectives for both countries. There is room for deeper bilateral dialogue on how the accompanying values and institutions can best be promoted in the immediate context of North Korea but also on a wider regional and global basis.

The participants thanked the hosting and sponsoring institutions and requested the Co-Chairs to convey the main findings of the Forum to senior leaders in both countries. In Canada this is to include the Prime Minister and Foreign Minister in the government that will be elected on October 14.

Prepared by Dr. Paul Evans, Canadian Co-Convener, on behalf of the Asia Pacific Foundation of Canada, in cooperation with Professor Lee Shin-Wha, Korean Co-Convener, on behalf of the Seoul Forum for International Affairs

Participant List

8 October 2008

Hosts: Seoul Forum for International Affairs and the Asia Pacific Foundation of Canada

Co-Sponsors: The Korea Foundation, Department of Foreign Affairs and International Trade (Canada), and the Asia Pacific Foundation of Canada, with support from Research in Motion and the Government of British Columbia

SUNDAY, SEPTEMBER 7

Reception and Dinner

Welcoming Remarks by Kim Dalchoong and *Tête-a-tête* with Lee Hong Koo on “Current Political Developments in Korea”

MONDAY, SEPTEMBER 8

Breakfast meeting with Ambassador Kim Hang-Kyung, President of Korea-Canada Society, and members of the Society

Session I: Introduction and Opening

Opening Remarks by Co-chairs Han Sung Joo and Stephen Toope, Yim Sung-Joon and Ted Lipman; *Keynote remarks* by Sagong Il, “The Korean Economy in Global and Regional Contexts”

Session II: Exploring New Economy Linkages between Canada and Korea

Moderator: Gregory Shea; *Introductory Remarks* by Dan Ciuriak, Ahn Choong Yong, Bark Taeho

Luncheon speech by Shin Kak Soo, “Korea’s Multilateral Diplomacy: Reaching Out to the World”

Session III: Security Challenges and Institutional Responses in Northeast Asia: What Architecture?

Moderator: Kim Dalchoong; *Introductory Remarks* by Hong Kyudok, Paul Evans, Song Young Wan

Session IV: Dealing with North Korea and the Global Challenges of Development, Human Rights and Democracy

Moderator: Yoon Young-Kwan; *Introductory Remarks* by Lee Shin-Wha, Simon Park, and Cheon Seongwhun, and Marcus Gee

Closing Reflections and Prescriptions

Summary Report by Kim Eungi; *concluding remarks* by Stephen Toope, Han Sung Joo

Reception and Dinner

Hosted by Ambassador Ted Lipman at the Canadian Embassy with additional guests

TUESDAY, SEPTEMBER 9

Tour of Digital Media City Development Site, Sangam-dong, Seoul Metropolitan City

Luncheon hosted by SFIA

Tour of Demilitarized Zone and Panmunjeom Organized by Canadian Embassy and United Nations Command

Dinner hosted by Ambassador Ted Lipman at his Official Residence

CANADIAN PARTICIPANTS

Stephen Toope	President, University of British Columbia (<i>Canadian Co-Chair</i>)
Paul Evans	Senior Advisor to the Board, APFC and Professor, College for Interdisciplinary Studies, UBC (<i>Canadian Convener</i>)
Hanna Cho	Post-Graduate Research Fellow, APFC
Dan Ciuriak	Senior Associate at the Centre for Trade Policy and Law, University of Ottawa – Carleton University
Jess Dutton	Counsellor (political), Canadian Embassy in Seoul
Marcus Ewert-Johns	Executive Director, Asia Pacific Trade, Government of B.C.
Marcus Gee	Asia Pacific Reporter/Columnist, The Globe and Mail
Shauna Hemingway	Second Secretary (Political), Canadian Embassy in Seoul
John C.H. Kim	Fasken Martineau DuMoulin Law, Vancouver
Craig Klafter	Associate Vice-President International, UBC
Ted Lipman	Canadian Ambassador to ROK and DPRK
Duane McMullen	Minister-Counsellor(Commercial), Canadian Embassy in Seoul
Simon Park	Lawyer and Chair, Hanvoice, Toronto
Greg Shea	Vice-President for Asia, Research in Motion

KOREAN PARTICIPANTS

Han Sung Joo	President of Asian Institute for Policy Studies; Honorary President of the Seoul Forum for International Affairs; former Korean Foreign Minister and former Korean Ambassador to the U.S.A. (<i>Korean Co-Chair</i>)
Lee Shin-Wha	Professor, Dept. of Political Science and Int'l Relations, Korea University; (<i>Korean Co-Convenor</i>)
Kim Dalchoong	President of the Seoul Forum for International Affairs; Professor Emeritus, Yonsei University (<i>Korean Convener</i>)

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Kim Hang-Kyung	President of Korea-Canada Society and former Korean Ambassador to Canada
Kim Hyojin,	Program Officer, Policy and Research, Korea Foundation
Kim Ja-Kyung	Deputy Director, North American Division II, Ministry of Foreign Affairs and Trade (MOFAT), ROK
Kim Jin-Hyun	Chairman, the World Peace Forum
Kim Suk-Woo	President of the National Development Institute
Kim Taehwan	Director, Policy and Research Department, Korea Foundation
Lee Baek-soon	Deputy Director-General, N American Affairs Bureau, MOFAT
Lee Hong-Koo	Former Prime Minister; Chairman of SFIA
Lee Kyung Tae	President, the Institute for International Trade
Moon Kwang Soon	President, Korea Interfacial Science and Engineering Institute; Vice President of Korea-Canada Society
Moon Young-Suck	Professor of Canadian Studies, Kangnam University; former President of the Korean Association for Canadian Studies
Park Hyun-Doo	President of Global Management Institute
Park Ung-Suh	Honorary Chairman, UI Energy
Sagong Il	Chairman of National Competitive Council, Office of the President, Republic of Korea
Shin Kak Soo	Vice Minister, Ministry of Foreign Affairs and Trade
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Yim Sung-Joon	President, Korea Foundation
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