



The future of Canada-Korea relations

Speaking Notes for Perrin Beatty

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Please Check Against Delivery

Distinguished guests;

Ladies and Gentlemen;

I'm very happy to be here with you today to talk about the future of business between our two countries.

But before I get started, I'd like to thank the organizers for putting together such a great program and prestigious group of participants. Not that I'd expect any less from the Asia Pacific Foundation.

I'd also like to thank the Korean delegation for coming all the way to Ottawa for this session. It's a clear testament to the importance you place on your relationship with Canada.

I recently came back from a trip to Seoul. There, I took part in a workshop on security cooperation in Asia and met with a number of prominent local business leaders.

Reflecting on the cross-cutting discussions that took place, I have two somewhat contradictory observations. On one hand, our shared history and economic interests should be driving Canada and Korea closer together. But on the other, I can't help but notice that our relationship is in serious need of repair.

I will use my remarks today to unpack these two points, and to lay out some steps to nurse our relationship back to health.

Let me begin with the long-standing ties between Canada and Korea, which celebrate fifty years of diplomatic relations this year. It's of course widely known that Canadian soldiers fought in the Korean War, but I think many – myself included – often underestimate the other ways in which our histories are intertwined.

Take the case of Canadian missionaries in the late 19th and early 20th century, who made significant contributions to religion, culture and politics in Korea.

One of them, Dr. Francis William Schofield, would play an important role in Korea's Independence Movement. Arriving in 1916, the Presbyterian missionary and veterinarian became shocked by the treatment of dissidents during the Japanese occupation. He opened his home to them and reported the repression he was witnessing to the international media.

Forced to leave the country, Dr. Schofield never stopped donating to churches, orphanages and educational institutions, or actively supporting the efforts of Koreans to attain independence. Later in his life, he returned to Korea and was presented with the country's highest civilian honour.

So even before diplomatic relations existed, Canadians were actively helping the Korean people realize their national aspirations. Canada would protect these aspirations once again during the Korean War, and in efforts to keep the peace since then.

But the relationship has worked both ways.

I think of Korean immigration to Canada, which has been growing in recent years. At over 200,000 strong, Canada has the fourth largest Korean Diaspora in the world – behind only China, Japan and the United States.

In addition to enhancing the diversity of centres like Toronto, Vancouver and Montreal, studies show that Korean-Canadians have a strong work ethic and entrepreneurial spirit, and place a lot of value on education and academic achievement. The community has become a welcome addition to Canada's social fabric.

It's clear that our shared history provides a solid foundation for bilateral relations, but economics is what should really push us together today.

Korea—the world's second largest importer of liquefied natural gas—needs a reliable, politically stable source of energy, not to mention other raw materials and food. Canada needs foreign capital to help get the resources out of the ground and onto world markets.

A look at the driveways or livingrooms in any community in Canada will quickly demonstrate that Korea's successful manufacturing supply chains provide Canadian consumers with the products they crave. But these companies can also offer much more than that. They're also a major opportunity for Canadian firms to boost global sales and collaborate on new technologies and products.

Consider the service sector too. Canada's leading banks and life insurance companies have the expertise and integrity to help Korea's rapidly aging population safely manage their retirement savings.

And while Korea is a gateway to emerging Asia—a top priority for Canadian business—Canada provides an ideal platform from which to access the North American market.

But despite all these complementarities, two-way trade and investment flows are unimpressive.

Over the past ten years, the value of Canadian exports to Korea rose by only 85 percent. If you think that sounds high, consider that over the same period exports to China rose by more than 400 percent. Even exports to the lackluster U.K. market tripled.

As of 2012, Canadian companies had only 570 million dollars directly invested in Korea. They've got almost twice that much invested in New Zealand—a country less than one tenth its size. And we don't seem to be turning the corner any time soon. During my trip, I was disturbed to learn that the local Canada Beef marketing office is being shut down.

On the energy front, initial enthusiasm from state-owned KOGAS and KNOC seems to have faded as the companies seek to divest some of their recently acquired Canadian holdings. I understand that part of this is represents a push by the Korean government to reduce debt ratios at these companies, but it is nonetheless concerning.

One of the main constraints on trade and investment is the lack of a bilateral policy framework. Free trade negotiations which started in 2005 have been stuck for years now, with little sign of progress.

At the same time, Korea has inked deals with the United States and European Union, giving their firms preferential access to the local market.

As a result, many Canadian businesses are being priced out. And in some industries, like beef—where Canada continues to face high tariffs—it may be too late to recover.

Even if an FTA were signed tomorrow, American beef producers would retain their advantage since any proposed tariff reduction would lag the phase-outs provided to the United States. Tariffs may eventually converge at a low level in the long-run, but at that point it will be difficult for Canadian exporters to displace established supplier relationships.

The lack of a trade agreement is also sending a negative signal to investors seeking to capitalize on the potential for oil and gas exports to Korea. While the specific policy issues that affect project viability fall somewhat outside the scope of a trade deal, it would nonetheless show renewed political trust and commitment – both of which are essential ingredients for cooperation on this scale.

So where do we go from here?

First things first: we need to reinvigorate our bilateral negotiations. Most of the agreement is ready, except for well-known sticking points. But even here, an injection of new personalities and creativity could have a very positive effect.

The great thing about a bilateral approach is its flexibility. We envisage an FTA that meets the needs of the two nations, taking into consideration some of the domestic challenges we face in pursuit of freer trade.

When I served in the Cabinet during the negotiation of the landmark Canada-US Trade Agreement, we encountered issues on which resolution was simply not possible. Rather than letting them stop the agreement, we put them into side processes that would continue after the deal was in place.

But our economic relationship should not live or die by this initiative. We need to find other avenues for cooperation.

In the energy sector, we should boost engagement between government officials to identify and overcome barriers to the joint development and export of oil and gas to Korea. The official visit last month by Minister of Natural Resources Joe Oliver and his Alberta counterpart, Ken Hughes, is a step in the right direction.

We might seek to emulate the approach taken with Japan. Last month, the two governments made a Joint Statement on Oil and Gas Cooperation. This commits the relevant departments to have a high-level annual meeting with key stakeholders to discuss technical, commercial, and policy issues surrounding the development of reserves and export infrastructure.

Canada and Korea should also work together more closely on trade issues at the regional and multilateral level. Finding common ground and shared objectives here can generate some of the goodwill needed to push our bilateral relations over the hump.

Let me use the example of the so-called mega-regionals. These include the US-centric Trans-Pacific Partnership, or TPP, and the equally large China-centric Regional Comprehensive Economic Partnership, or RCEP. Canada is in the TPP. Korea has chosen to pursue the RCEP, although government officials recently raised the prospect of joining the TPP as well.

Many frame the TPP and RCEP as rival initiatives, but I see them as complementary routes towards the same destination: a rule-based, open trading system straddling the Asia-Pacific region.

Canada and Korea should contribute to this common goal by encouraging compatibility between the two agreements through liberal rules of origin, and by ensuring that there is a clear and reasonable accession process for countries that want to join them in the future.

Another venue for international cooperation is the G20. Our two countries have a mutual interest in restoring global growth, improving the management of public finances and halting the spread of protectionism.

As you may know, the Canadian Chamber of Commerce is a founding member of the B20 Coalition, a network of national business groups that develops policy recommendations to G20 leaders. As its President, I look forward to working with the other members—including the Federation of Korean Industries—to build stronger relationships and develop a coherent and responsive voice for business on the international stage.

Today, the Canada-Korea relationship is at a crossroads. If we choose to fixate on the missed opportunities of the past and the many obstacles that stand in the way of future progress, then we might as well go our separate ways.

But if we can build on our shared history, economic complementarities and mutual desire for an open system of international trade and investment, then we can use our troubled relations—not as an excuse—but as a call to action.

I for one am optimistic. There's momentum coming from Prime Minister Harper and President Park's meeting in Bali, and hopes are high for a fresh approach to the trade negotiations. The next few months will be decisive.

If we can succeed in putting our economic relationship back on track, businesses in both countries will be rewarded with expanded sales and production opportunities, and we will have made our communities more prosperous. It's a goal that all of us should redouble our efforts to achieve.