
Centre for International
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Conference Report – Vancouver, Canada, October 19–27, 2017

Global Partnerships in Challenging Times Promoting the Liberal International Order

Fifteenth Canada-Korea Forum



Conference Report – Vancouver, Canada, October 19–21, 2017

Global Partnerships in Challenging Times

Promoting the Liberal International Order

Fifteenth Canada-Korea Forum

CIGI Masthead

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About the Canada-Korea Forum

Co-organized by the Seoul International Forum and Canada's Centre for International Governance Innovation (CIGI), the Canada-Korea Forum meets annually to discuss key issues affecting the state of relations between Canada and Korea, as well as to provide insights and forward-looking advice to governments, businesses and other stakeholders involved in the relationship. The Forum consists of a high-level group of Koreans and Canadians drawn from business, academic institutions and think tanks, as well as current and former government officials.

This report has been jointly prepared and approved for release by the co-chairs of the Canada-Korea Forum, former ambassadors Yim Sung-joon and CIGI Distinguished Fellow Leonard J. Edwards.

Introduction

The Fifteenth Canada-Korea Forum, held in Vancouver, Canada, in October 2017, brought together a distinguished group of approximately 50 Koreans and Canadians drawn from the ranks of government (both active and retired officials), academia, the private sector and think tanks.

With continued uncertainties on the global scene, highlighted by the rising challenge to the Liberal International Order (LIO), the fifteenth forum built on the discussions of the fourteenth forum held in Seoul in 2015, which had looked at several areas where transformative developments are occurring on a global scale and affecting Canada and Korea.

The fifteenth forum focused on six subject areas:

- promoting the LIO;
- the North Korean nuclear crisis;
- cyber security threats;
- the global trading system;
- the Fourth Industrial Revolution; and
- climate change.

In each session, participants sought to determine the health of the LIO in that sector and where opportunities might lie for advancing specific elements in their bilateral political, security and business relationships.

Main Conclusions

The LIO is in difficulty. The existing post-World War II system is being challenged by other models, losing relevance in Western and other countries, and failing to deliver the growth, security and other benefits intended of it.

As democracies and trading nations that have benefited enormously from the LIO, Korea and Canada have a direct stake in maintaining it, and indeed an obligation to show leadership and work with other like-minded countries to promote and defend it, and, where necessary, adapt it to today's realities.

Taking advantage of their Strategic Partnership,¹ agreed upon in 2014, Canada and Korea could consider collaborating and taking leadership roles to:

- form and convene an informal association of like-minded democratic states devoted to driving the reform and preservation of the LIO; and
- choose one or two “open space” areas within the global commons where governance structures are needed (for example, cyber space or migrants and refugees or outer space), and put in place LIO governance systems, possibly using the Arctic Council as an updated model.

Urging Diplomatic Defusing of the North Korean Nuclear Crisis

Regarding the North Korean nuclear crisis, forum participants believed there was room for a multilateral diplomatic initiative, beyond the current Six-Party Talks framework, to urge and promote peaceful outcomes and to find ways to defuse tensions. Canada could play a role in putting such an initiative together.

Collaborating on Improved Cyber Security

Given the seriousness of cyber threats to national security, institutions, business interests and the LIO itself, Korea and Canada are missing important opportunities to collaborate in intelligence and expertise sharing, joint cyber defence exercises, enforcement cooperation, business-to-business preparedness and the pursuit of business opportunities between their first-class cyber security technology firms.

Supporting the Global Trading System

With the global trading system fragmented and facing rising protectionism, Korea and Canada must continue to collaborate in supporting the multilateral venue of the World Trade Organization (WTO) and to seek every opportunity to promote high-quality trade agreements that best advance the model of free trade and open markets.

¹ See www.canadainternational.gc.ca/korea-coree/bilateral_relations_bilaterales/index.aspx?lang=eng.

Fostering Innovations to Compete in the Fourth Industrial Revolution

While the digitization-driven disruption of the Fourth Industrial Revolution challenges both countries, Canada and Korea must seize the opportunity to foster the technologies and build companies that are able to compete in this digitized world. The new Science, Technology and Innovation Agreement between the Government of Canada and the Republic of Korea² (in effect May 2017) offers a key avenue for bilateral collaboration, but so do policy exchanges and research on much-needed new regulatory frameworks, as well as on work force issues and development of digital-age education systems that tailor learning specifically to each individual's needs and strengths.

Partnering on Green Initiatives

Our governments' positions on addressing climate change hold promise for an ongoing "green partnership" within the Conference of Parties (COP) process. Although a drop-off in bilateral activity is inevitable in the hydrocarbon sector, the door is wide open to more business and technology tie-ups on innovative clean technologies, where each country has major strengths.

Summary of Discussions

Session One

North Korea and Developments in East Asian Security

The Republic of Korea is facing its most dangerous national security crisis since the Korean War ended in 1953. The North Korean regime is closer than previously thought to achieving Kim Jong-un's objective of an operational nuclear weapon program with the capacity to deliver intercontinental ballistic missiles (ICBMs). In 2017, North Korea conducted its most powerful nuclear test to date and numerous missile tests, including three ICBMs.

While it could be argued that a North Korean nuclear weapons capacity and delivery system

is now inevitable, and that attention must immediately turn to deterrence measures including nuclear weapons, forum members agreed that every effort should still be made to avoid this outcome.

With his vow to end the nuclear issue by any means, US President Donald Trump has injected an additional layer of uncertainty in the situation. He has put forth a strategy dubbed "maximum pressure and engagement," based on military deterrence and increased sanctions, which is designed to compel Pyongyang to return to the negotiation table. However, both sides remain unwilling to budge, and a diplomatic solution seems a long way off.

As the key non-Korean players, the United States and China have not been able, so far, to find a way to set aside their geopolitical and regional competition to find a shared path to contain the North Korea problem.

In the meantime, forum participants believed there was room for a multilateral diplomatic initiative beyond the Six-Party Talks framework to urge and promote peaceful outcomes and to find ways to defuse tensions — including opening lines of communication with the North Korean regime's leadership and bureaucracy. While South Korea is already a central player in the crisis, Canada could play a role as a neutral mediator that does not carry the historical baggage of other regional actors.

Above all, forum participants suggested the international community must be willing to offer Kim Jong-un an appropriate exit from the nuclear option that will not undermine his regime's survival. Survival is the regime's foremost concern and must be addressed if an acceptable solution is to be devised.

Session Two

Managing Cyber Security Threats

While often trumped by military and traditional security concerns, cyber security is a critical matter for both Korea and Canada. Importantly, cyber threats from several sources undermine our political and governance institutions and represent a threat to the LIO.

Each year, cyber attacks cost companies and economies worldwide billions of dollars. Korea has been the target of numerous successful cyber attacks from North Korea, resulting in

² See <http://publications.gc.ca/site/eng/9.838034/publication.html>.

substantial financial losses and the theft of sensitive information. In Canada, an average of 4,000 cyber attacks are committed every day, incurring substantial financial costs. While the largest firms are better prepared for these losses, smaller companies are extremely vulnerable and woefully unprepared to defend themselves.

The forum members emphasized the global nature of the threat and that it requires a global response. Cyber security must remain high on both the Korean and the Canadian governments' agendas. Because addressing cyber threats takes more than just a technological strategy, governments must ensure that the proper policies are in place to build resiliency to cyber attacks and that there is close collaboration among governments, the private sector and academia, preferably through the consolidation of individual nations' expertise in the creation of one central government agency, or "cyber czar," to oversee all issues related to cyber security and ensure a cohesive approach and response.

Governments should consider establishing cyber security awareness programs and incentivizing companies to place a greater focus on cyber resiliency. Private sector coordination and awareness are championed in both Korea and Canada, and an upcoming cyber security collaboration agreement between the Government of Canada and the private sector will be the first in the world.

Forum participants also suggested greater collaboration between Korea and Canada in such areas as intelligence and expertise sharing, joint cyber defence exercises, enforcement cooperation and business-to-business preparedness, as well as in pursuing business opportunities among cyber security technology firms.

Session Three

The Future of Global Trade and Its Governance

The rise of protectionism, epitomized by the United Kingdom's decision to leave the European Union (Brexit) and the election of US President Donald Trump, has led to heightened uncertainty about the future of global trade. Growth rates in global trade are still well below pre-2008 financial crisis levels. Under President Trump, the United States has relinquished its role as defender of the rules-based free trade system, one of the key

pillars of the LIO. The United States withdrew from the Trans-Pacific Partnership (TPP) and has forced Canada and Mexico to renegotiate the North American Free Trade Agreement (NAFTA). In addition, the United States has sought and obtained Korea's concurrence to meet for a review of their free trade agreement signed in 2007.

The forum noted that the global economy is undergoing a transition and a shifting balance of power, with China poised to overtake the United States as the largest economy by 2030. Although China, under the stewardship of President Xi Jinping, presents itself as a defender of globalization and trade, its governance and economic models raise questions about Beijing's real commitment to open markets and the rules-based economic order.

More specifically, although economic growth globally is relatively strong, the business mood in Canada is less positive because of the threat to NAFTA and other factors, while Korea is re-evaluating its trade policy priorities.

The forum's participants argued that, in this context, major trading countries like Canada and Korea have an important role in promoting high-quality trade agreements that best advance the model of free trade and open markets. Both countries should use their membership at the Group of Twenty and other institutions to vigorously oppose protectionism and defend the WTO and the rules-based system. Ottawa and Seoul should also expand their bilateral consultations to include issues related to the trade components of the LIO and to devise strategies and coordinated initiatives to preserve the system that has led to their prosperity.

Session Four

The Fourth Industrial Revolution and Beyond: Opportunities for Cooperation between Korea and Canada

The forum noted that, like all countries, Korea and Canada are facing the major economic, societal and political impacts of the arrival of the Fourth Industrial Revolution. Most often associated with digitization, deep learning and artificial intelligence, this revolution is transforming not only the world of information technology but also the physical and biological world in which we live.

On the one hand, it is destructive of traditional industry, the long business cycles of the “old” economy, and white-collar and the lowest-skill jobs. It will strain social cohesion, increase political tensions within countries and, as a global phenomenon, test the faith in and functioning of the LIO. On the other hand, it opens the door to new opportunities for those companies and industries that change their business models and adapt to the new technologies, potentially transforming the economies of those countries that adapt to the changes and creating new sources of economic growth and prosperity.

Panellists observed that Korea is better positioned than Canada to adapt to the Fourth Industrial Revolution, noting that while the Organisation for Economic Co-operation and Development predicts a “high probability” that Canada will lose up to 42 percent of white-collar and low-skill jobs over the coming 10 to 20 years to automation, Korea will lose only six percent. The World Economic Forum ranks Korea as among the top five countries in terms of strength in nanotechnology and biotech innovation. Korea has launched what is regarded as the world’s first mid- to long-term “master plan” to foster an information-intelligent society, as part of a nearly US\$1 billion fund for artificial intelligence (AI) research and development. The Korean government will also spend US\$840 million for an AI research centre that will be established by private sector companies. For its part, Canada has announced CDN\$125 million funding for a pan-Canadian AI strategy, aimed at increasing research as well as retaining and attracting top AI researchers to work in Canada. Ottawa will also be funding several innovation “superclusters” across the country.

The forum agreed that we cannot underestimate the impact and speed of change. Companies cannot simply react: they must respond through far-sighted adaptations that place them ahead of the game. Delegates noted that the crisis surrounding these developments is not so much technological as one of leadership, both in business and government. In government, slow-to-adapt regulatory systems favour the status quo and sun-setting industries and position innovative new-economy enterprises, often small in size, at a disadvantage in their efforts to compete against the biggest players, such as those from China and the United States.

This revolution opens the door to cooperation between Canada and Korea in several areas.

Here, the forum highlighted the recent Korea-Canada Agreement for Science, Technology and Innovation Cooperation as a timely and valuable instrument that will enable exchanges and research cooperation in new technologies, such as AI. The revolution also presents business opportunities, including through mergers and partnerships, for firms in both countries, to market and compete more successfully at home and in third countries, such as the United States and China.

Forum participants also noted the potential for working jointly on pressing policy issues, such as how to meet the job loss/job-retraining challenge, how to engage women and youth in the new economy and, perhaps the hardest of all, how to design intelligent and adaptable regulatory systems for the digitization age.

In the field of education, the forum noted the potential for bilateral collaboration in designing a new approach that, using the power of digitation and data, would move away from “mass education” to customized education and skills development for individual students that would better develop their specific strengths and abilities. It would also critically strengthen the capacity of our countries to compete in the Fourth Industrial Revolution world. With a long record of educational exchanges, Canada (particularly in Ontario) is practised in pedagogical change, while Korea is strong in information technology and other technologies needed to refine education for the future. It would mean challenging teachers to change their roles, but there could also be business benefits for the education “industry,” to market these new approaches given the needs globally.

The forum also noted the area of boardroom education. The Vancouver company Wavefront, working in conjunction with the Korean Design Institute, hosted a group of 11 Korean executives at a workshop on the margins of the Fifteenth Canada-Korea Forum (the first such business-to-business event ever held in conjunction with the Canada-Korea Forum). Here, insights were shared as to how smaller companies and start-ups in the Fourth Industrial Revolution space can develop successful business strategies through innovative leadership and a process of “design thinking” specific to each firm. Such strategies can be key in competing with much larger foreign competitors where technologies are more or less equivalent.

Session Five

Climate Change: Governance, Consequences and Opportunities

After years of struggling to complete an accord, the twenty-first COP (COP21) Paris Agreement of 2015 represents a major success for the LIO. Although the Trump administration's subsequent withdrawal from the accord presents a challenge, and has raised questions about the United States' commitment to fight climate change and reduce global emissions, it has not undermined the determination of other parties to devise a global response to address the issue.

Despite its strong support of COP21, Canada is still falling behind on its emissions reduction targets. Prime Minister Justin Trudeau's government is now very focused on making substantial headway. Korea has made good progress toward reducing its greenhouse gas emissions under its decade-long focus on "Green Growth." The new administration of President Moon Jae-in is now considering next steps.

The Trump administration, and numerous other leaders and actors, continues to argue that climate action undermines economic growth. Forum participants advocated for a change in this short-term thinking: to expand our time horizon and to start presenting the responses to climate change as creating new economic opportunity and growth over the long term.

For both Korea and Canada, the green economy presents substantial opportunity in terms of technological innovation and job creation. Korea's highly innovative economy provides solid ground for clean technologies in many sectors, as it converts to a less hydrocarbon-dependent future. While the hydrocarbon economy in Canada will experience long-term declines, climate change is bringing warmer temperatures to Western Canada with a consequential expansion in agricultural production and export potential.

The forum notes that while there will be implications for reductions in business transactions in the energy sector between our countries, particularly in hydrocarbons (oil/gas and coal) and possibly in nuclear (if Korea phases out its nuclear reactor program), the doors should be wide open to more business and technology tie-ups in several clean technology fields, where each country has major strengths. With effort, these collaborations

should lead to greater trade in equipment and services, technology interchanges, joint ventures, financing and investment. Climate change represents both a challenge and a huge opportunity for each country's innovative capacities.

Finally, the forum agreed that with converging interests and priorities — and as democracies interested in the effective functioning of the LIO — Canada and Korea should seize the potential for a green governance partnership and pursue further international steps in the COP and elsewhere to promote policies and measures that reduce greenhouse gas emissions and mitigate the impacts of climate change globally.

Session Six

Promoting the LIO

The LIO is at a crossroads and struggling due to a leadership vacuum. The values that underpin the system are under pressure in the United States and Western Europe, while China and Russia are pushing their alternative models forward. Chinese President Xi Jinping, at the recent Communist Party Congress, specifically presented the Chinese governance model as a system to be emulated by other emerging economies and developing nations.

The fruits of free trade and globalization have not been enjoyed by all citizens and all countries, and as a result those who have been left behind — marked by the growing income gap between them and the beneficiaries of the system — are leading a backlash, as exemplified in the rise of populism, growing anti-migrant/anti-refugee sentiment, the election of Donald Trump, Brexit and the frustration of less-developed countries, in particular, with Bretton Woods institutions. Respect for human rights, the "moral compass" of the LIO, is under threat, and is not helped by double standards within democratic countries whose own shortcomings are left unattended or downplayed while outside countries are criticized and held to account. The democratic system of governance, with its short-time horizons and susceptibility to frequently changing priorities, can make it less efficient than centrist and autocratic models, and less effective in taking on those forces undermining LIO institutions and seeking to establish alternative models. The return of geopolitics has contributed to a growing aggressiveness and displays of power by some larger players and to growing fears among smaller countries that international organizations

and international law cannot be counted upon to guarantee their borders and sovereignty.

The future of the LIO cannot be taken for granted. But, while it is struggling, it is not broken. There is an urgent need for its champions, involving and perhaps led by the “second tier” of world powers, including Canada and Korea, to rethink and realign the LIO more effectively to deal with the issues of today’s world, in which power is more diffused and solutions more complex. The economic institutions, in particular, need to do a better job of advancing the well-being of poorer and weaker states, spreading the benefits of economic growth more broadly and eliminating poverty.

To strengthen faith in the LIO, its supporters could identify some niche areas or “open spaces” where governance action is urgently needed and then take leading roles in applying updated LIO principles and approaches to finding solutions, such as in the areas of cyber space, migration and refugees, outer space and the nexus of energy/water/climate change. An example of this already exists in the Arctic Council, in which both Korea and Canada participate, and that stands as a new model of the LIO approach in dealing with governance challenges arising from an increasingly accessible Arctic region.

Internally, countries need to restore the faith of their populations in the LIO, in part by adopting the policies and programs that close the income gap, strengthen social cohesion, rebuild confidence in the future and reverse the trends towards populism and the blaming of outsiders and migrants.

Both Canada and Korea, as democracies and major economic players, have benefited tremendously from the LIO, particularly from its open and rules-based trading system. With this success comes an obligation to be among its most vigorous champions at this time of threat.

In this context, the Canada-Korea Forum agreed that both countries can and must play a role in the defence of the LIO and push for the implementation of reforms, in economics and trade in particular. Under the auspices of their re-invigorated Strategic Partnership, both countries should collaborate at strategic and institutional levels in reforming and revitalizing current institutions, making them more transparent and responsive to the needs of the people, while working together in one or two of the “open spaces” noted earlier.

As part of this partnership, Korea might agree to support Canada’s addition to the “middle powers” group MIKTA — consisting now of Mexico, Indonesia, South Korea, Turkey and Australia— provided that MIKTA continues to be active and of value. To ensure it has a seat at the table in a region now central to global governance, Canada should devote substantial effort to joining Asian regional institutions, first among them the East Asia Summit and the Association of Southeast Asian Nations Defence Ministers’ Meeting-Plus.

Next Meeting

It was agreed that a sixteenth meeting of the Canada-Korea Forum will be held in Korea in the autumn of 2018, at a time and place to be determined.

Acknowledgements

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About CIGI

We are the Centre for International Governance Innovation: an independent, non-partisan think tank with an objective and uniquely global perspective. Our research, opinions and public voice make a difference in today's world by bringing clarity and innovative thinking to global policy making. By working across disciplines and in partnership with the best peers and experts, we are the benchmark for influential research and trusted analysis.

Our research programs focus on governance of the global economy, global security and politics, and international law in collaboration with a range of strategic partners and support from the Government of Canada, the Government of Ontario, as well as founder Jim Balsillie.

À propos du CIGI

Au Centre pour l'innovation dans la gouvernance internationale (CIGI), nous formons un groupe de réflexion indépendant et non partisan qui formule des points de vue objectifs dont la portée est notamment mondiale. Nos recherches, nos avis et l'opinion publique ont des effets réels sur le monde d'aujourd'hui en apportant autant de la clarté qu'une réflexion novatrice dans l'élaboration des politiques à l'échelle internationale. En raison des travaux accomplis en collaboration et en partenariat avec des pairs et des spécialistes interdisciplinaires des plus compétents, nous sommes devenus une référence grâce à l'influence de nos recherches et à la fiabilité de nos analyses.

Nos programmes de recherche ont trait à la gouvernance dans les domaines suivants : l'économie mondiale, la sécurité et les politiques mondiales, et le droit international, et nous les exécutons avec la collaboration de nombreux partenaires stratégiques et le soutien des gouvernements du Canada et de l'Ontario ainsi que du fondateur du CIGI, Jim Balsillie.

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