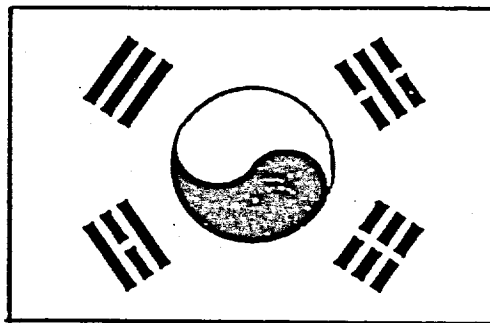
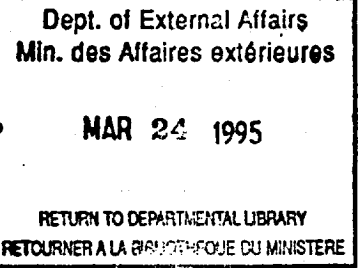


**REPORT
OF THE
CANADA-KOREA SPECIAL PARTNERSHIP
WORKING GROUP**



September 1994

**REPORT OF THE
CANADA-KOREA SPECIAL PARTNERSHIP
WORKING GROUP**



Introduction

The governments of Canada and the Republic of Korea agreed to establish a Canada-Korea Special Partnership Working Group on April 1, 1994.

This initiative was a follow-up on a commitment made by Prime Minister Jean Chrétien and President Kim Young Sam at the November 1993 summit meeting of the Asia-Pacific Economic Cooperation (APEC) forum to give priority to developing a special partnership between the two countries. The leaders of both governments shared the view that the two countries, as middle powers in the Asia-Pacific region, should cooperate closely with each other in bilateral and multilateral contexts in order to cope more effectively with the new international economic environment following the conclusion of the Uruguay Round of multilateral trade negotiations and the launch of the North American Free Trade Agreement.

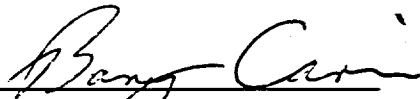
The Working Group was mandated to explore various bilateral and multilateral options to promote closer economic, trade and investment relations between Canada and Korea. Bilateral options included enhanced market access, diffusion and joint commercialization of technology, cooperation in the official development assistance and promotion of investment and joint ventures. Multilateral options included joint collaboration in various international fora, such as the WTO, the OECD and APEC.

The Working Group met twice between June and September 1994 with a view to developing, on the basis of the agreed terms of reference, specific and concrete measures which both governments will take in the fields indicated above. The Working Group focused on formulating an enduring framework which would guide the two governments in their joint efforts for closer cooperative relations, rather than on addressing imminent individual issues.

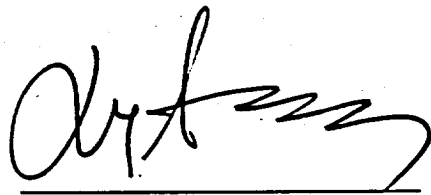
As a result of the two meetings and communications through diplomatic channels, the Working Group has developed this Report which outlines the

economic and non-economic areas, the operation of a variety of existing consultative arrangements between the two countries would be kept in line with the work of the Working Group during its existence. The Working Group recommends to Ministers that at a mutually convenient time during the first half of 1995 Ministers meet together to discuss overall bilateral relations, economic and non-economic, under the theme of the special partnership. Prior to the Ministers' meeting, the Working Group may meet to prepare for the meeting.

This Report is hereby submitted to Ministers for review and approval. If it is approved that the Working Group continue its activities with expanded mandates, the Working Group will embark on its second phase undertakings with a view to completing them at the earliest possible date. By the end of November 1995, a follow-up joint report will be submitted to Ministers summarizing the status of each side's implementation of this Report's recommendations.



Barry Carin
Assistant Deputy Minister
Trade and Economic Policy Branch
Department of Foreign Affairs and
International Trade



Joun Yung Sun
Assistant Minister for
Economic Affairs
Ministry of Foreign Affairs

Table of Contents

I. BILATERAL OPTIONS

- A. Facilitation of the Access to Each Country's Market for Products and Services of Comparative Advantage

Annex: Status Report on Market Access Concerns

- B. Framework for the Diffusion and Joint Commercialization of Technology

Annex: Specific Cooperative Projects

- C. Mechanisms to Allow Joint Cooperation in the Area of Development Assistance to Third Countries

- D. Mechanisms to Encourage Korean Business Investment in Canada, Canadian Business Investment In Korea, and Industrial Joint Ventures in Canada, Korea and Third Countries

II. MULTILATERAL OPTIONS

- A. Joint Collaboration in the WTO, OECD, APEC, and ad hoc groups

Annex: The Emerging Trade Agenda

III. OPTIONS FOR STRENGTHENING TRADE AND INVESTMENT RELATIONS

I. BILATERAL OPTIONS

A. Facilitation of the Access to Each Country's Market for Products and Services of Comparative Advantage

Overview

Both sides shared the view that improved market access in each country for goods and services is a vital element of the special partnership between the two countries.

Both sides agreed that this Working Group will contribute to this end by approaching market access issues in a systemic and comprehensive way. While both governments are making continuous efforts to achieve progress in the pending market access issues, the Working Group concentrated its attention on building an institutional mechanism under which the underlying causes of individual conflicts will be addressed in a systemic manner.

In this context, the Working Group agreed that both governments should approach market access issues through certain guiding principles, including but not limited to:

- fair and non-discriminatory treatment toward products and services of the other country vis-a-vis those of third countries, except for treatment that is granted to third countries in application of customs union agreements and free trade agreements;
- transparency in import-related procedures and administration; and
- predictability and consistency to be provided to the maximum extent possible in import-related procedures and administration.

Throughout the activities of the Working Group, a number of specific pending issues were identified by each side, including tariff treatment,

remedial trade action, investment and finance, and non-tariff issues such as standards and sanitary/phytosanitary regulations. A status report listing these issues, action taken and agreed upon future action can be found in the Annex of this section.

Both sides noted that the successful conclusion of the Uruguay Round commits both countries to a program of future deregulation and market access reform. The achievement of further trade liberalization will make it easier to pursue emerging market opportunities on the basis of comparative advantage. Moreover, stronger bilateral trade can be viewed as a confidence-building measure for the development assistance projects and the encouragement of industrial joint ventures where Canada's leading-edge strengths in science and technology can be aligned with Korea's needs and manufacturing strengths.

Recommendations

1. In order to provide an institutional mechanism to address bilateral market issues, a Market Access Subcommittee will be established under the newly constituted Special Partnership Working Group.

a. The Market Access Subcommittee will be mandated:

- to identify and to seek removal of barriers to trade/investment arising from each others' policies and bureaucratic restraints;
- to identify areas for potential action on a bilateral level to enhance the economic relationship between the two countries in ways that are consistent with more open and liberalized trading relations; and
- to disseminate regularly, and as widely as possible, information on the change of rules in each country governing access to each others' market, for example, standards and anti-dumping.

b. The Market Access Subcommittee will be co-chaired by the director-general or director level officials, of the Ministry of Foreign

Affairs of Korea and the Department of Foreign Affairs and International Trade of Canada. The Subcommittee will meet annually during the interval of the Special Partnership Working Group meeting to discuss the current market concerns and prepare a summary of these concerns for the meeting of the next Special Partnership Working Group.

- c. Three weeks prior to a meeting of the Subcommittee, both sides will exchange status reports on the outstanding specific issues, summarizing recent development and measures taken or to be taken to resolve the issues, with a view to facilitating their early resolution.
- d. As deemed appropriate, the Subcommittee will undertake, at the request of the Special Partnership Working Group, longer-term analysis of the market access factors affecting the competitiveness of industry sectors.

2. Within six months after the final ratification of the Uruguay Round results, both sides will exchange reports identifying and analyzing specific barriers each side faces in accessing the other's market for goods and services, which are viewed inconsistent with the above mentioned guiding principles. The report will address all the obstacles faced by the business people of each country when doing business in the other country, as well as the issues contained in the annex of this Report that are yet to be resolved. The report on market access barriers will serve as a basis of further discussions in the Market Access Subcommittee.

3. The impact of the results of the Uruguay Round on the access to each country's market for goods and services will be monitored and analyzed on a continuous basis through the Subcommittee and/or the Special Partnership Working Group.

4. The Subcommittee, under the supervision of the Special Partnership Working Group, will take on the responsibility of furthering the objectives of facilitating market access.

Annex: Status Report on Market Access Concerns

Substantial Progress

Milling Wheat

Issue: Canada has expressed concerns about Korea restricting the issue of credit for imports of wheat.

Status: The Government of Korea announced recently the phased out termination of GSM 102 over a two year period on four products, including wheat. All quotas will be global and open for credit from all countries on an MFN basis.

Alfalfa

Issue: Korea has a tariff rate quota on alfalfa at a 4% rate of duty, renewable every six months.

Status: In consideration of Canada's strong interests, the Korean government reduced the tariff rate to 2 percent, which is effective from July to December 1994. Korea positively noted Canada's request that the tariff rate quota be renewed every six months at the current applied rate.

Korean Apples

Issue: Korea has requested that the export of Korean apples to Canada be allowed as soon as possible.

Status: The Department of Agriculture of Canada has drawn up a protocol which will allow Korea to ship apples to Canada on a trial basis until March 1996. If there are no phytosanitary problems encountered during this period, commercial shipments would be permitted.

Feed Barley

Issue: Canada has sought access to the Korean market for Canadian feed barley.

Status: Korea has announced that it will allow the import of 100,000 tones of barley (for feed use, not for human consumption) at the tariff rate of 5% for 1994. The Canadian side seeks continued and increased market access for feed barley. The Korean side noted this request.

Outstanding Issues

GPT

Issue: Korea wants certain Korean products to continue to be subject to the GPT rate.

Status: The Canadian side gave assurances that it will positively consider Korean interests in this regard.

Anti-dumping duties

Issue: Korea is concerned that Korean products exported to Canada are still subject to anti-dumping measures.

Status: The Korean side would like to see the removal of Canadian anti-dumping measures applied to Korean products as soon as possible. The Canadian side indicated that there is a statutory review of each finding after 5 years. The reviewing panel will review existing findings on imported Korean products as required under legislation.

Canola

Issue: Canada is concerned about Korea's high tariff rate on canola seed and products relative to substitutes.

Status: As a priority, Canada seeks tariff treatment for canola seed, oil and meal equal to that extended to soybean products. The Korean government indicated its current position that the tariff rate on canola seed and meal in particular will be applied in accordance with its UR country schedule.

Pork

Issue: The liberalization of Korea's trade regime for both fresh and chilled pork at a faster rate than for frozen pork.

Status: Canada seeks an acceleration of the liberalization date for frozen products to the same as for fresh and chilled pork. The Korean government indicated its current position that frozen pork will be liberalized in accordance with its UR country schedule.

Fish

Issue: Canada wants increased access to the Korean market for a number of fish products.

Status: Canada has requested the elimination of import licensing barriers for fish products of priority interest.

Pinewood Nematodes

Issue: Korea has restricted the importation of Canadian lumber on the basis of concerns regarding pinewood nematode.

Status: The Korean government is currently reviewing the scientific material supplied by the Canadian side with regard to the kiln dried (KD) process. The Canadian government requests that the Korean NPQS inspect Canadian KD facilities to allow for lumber shipments to commence as soon as possible.

Removal of Restrictions on Upstream Lending, non-resident withholding tax and thin capitalization rules in Canada

Issue: Korea seeks relief from the limitation on lending by foreign banks subsidiaries in Canada to their parent bank or other corporations affiliated with the bank. Korea also seeks removal of non-resident withholding tax and thin capitalization rules in Canada.

Status: The Canadian side indicated that this issue will be reviewed as part of the Canadian withholding tax system.

Financial Services

Issue: (a) Targeted Lending: Canada is concerned that foreign banks in Korea are required to channel a very high percentage of their loans to higher risk categories of borrowers. (b) Won funding for Canadian banks: Access to Won currency funding in Korea is restricted. (c) The establishment of branch offices in Canada of Korea banks is not allowed. (d) Restrictions on the composition of board members of foreign banks in Canada exists.

Status: Ministry of Finance officials of the two countries will continue discussions on liberalization of financial sector markets with a view to eliminating impediments.

B. Framework for the Diffusion and Joint Commercialization of Technology

Overview

Both sides concurred that this is an area where cooperative efforts by both governments to contribute significantly to the building up of a special partnership. Both sides expected that by combining Canada's advanced technology and Korea's manufacturing skills both countries will be able to enhance the marketability of many technologies which have been less than fully utilized because of the lack of commercial feasibility.

Both sides agreed to the following long-term strategies to increase trade and business opportunities for Canadian and Korean industry through technology transfer, diffusion and R&D cooperation:

- build long-term relationships at government, academic and industry levels through regular visits and exchanges;
- develop a reliable two-way flow of current information on the targeted sectors and related business practices; and
- conduct carefully planned match-making events.

Keeping in mind the above mentioned long-term strategies, both sides agreed to exert cooperative efforts in two different directions as initial attempts – (i) joint efforts to facilitate exchange of related information for the sake of private sectors and related research institutions of both countries and (ii) undertaking of specific cooperative activities for commercialization of technologies.

Both sides particularly noted the usefulness of increased exchange of information in facilitating the flow of information on technologies available in both countries, potential providers and recipients, and foreign technologies sought.

Recommendations

1. Both governments will make joint efforts to facilitate exchange of information to be utilized for joint commercialization of technology in the private sectors and research institutions. Both governments will work to facilitate technical cooperation between private parties, with particular emphasis on promoting exchanges between small and medium sized firms. For this purpose, both side agreed to work together in the following directions:

a. Establishment of information exchange systems:

- (1) Both governments will encourage the respective national technology information services, i.e., Korea Institute of Industry and Technology Information (KINITI) and Canada Institute for Science and Technology Information to establish an information linkage in such a manner that may be appropriate to them.
- (2) Another linkage of supply and demand of technologies could be arranged through trade promotion agencies of both countries.

In an effort to exchange information on technology interests of firms and develop links between existing national trade promotion databases, both governments may incorporate, within an existing trade promotion data base, information provided by the other side on technology interests of firms in Canada-Korea trade; ensure the widest possible dissemination of this information through respective national, regional and local trade promotion authorities. Special attention will be given to the needs of new-to-market small and medium sized businesses.

In order to institutionalize the cooperation mentioned above, the trade promotion agencies of the two countries may begin consultations at a mutually convenient time with a view to concluding a Memorandum of Understanding.

- (3) Both governments see the value of developing and exchanging sector directories, particularly concerning the fields identified as being of interests to each other. As a start, such directories may be compiled for the specific cooperative projects under consideration.

2. Both sides agreed on the utility of embarking on specific initiatives to improve the diffusion and joint commercialization of technology. Some of the specific areas envisioned for such cooperation area annexed hereto as a reference for future undertakings.

In light of increased interests of both countries in technology cooperation and transfer, in particular in the field of environment as shown by Canada's dispatch of an environment mission to the Taejon Expo and hosting of Globe 94 in Vancouver, Canada and Korea will promote the further development of opportunities in environmental planning and management services and in particular, municipal infrastructure management; industrial waste water treatment; environmental monitoring; site remediation; and air pollution control. Work is to begin on identifying a core group of Canadian and Korean organizations and on joint initiatives.

3. Both governments will increase accessibility through more frequent senior official visits, such as between the Ministry of Science and Technology (MOST), the Ministry of Trade, Industry and Energy (MOTIE) and the Department of Foreign Affairs and International Trade (DFAIT), Industry Canada, NRCan. Both sides shared the view that this may lead to more bilateral cooperative arrangements and increase awareness of opportunities.

4. Both sides recommend follow-through on the Korea-Canada Science and Technology Ad-hoc Working Group meeting to continue to further explore concrete steps to facilitate commercial technology cooperation, keeping in mind the long-term strategies mentioned in the overview and the objectives of the special partnership between the two countries. It is the expectation of the Special Partnership Working Group that the accomplishment of the S&T Ad-hoc Group be the starting focal point for coordinating technology cooperation and exchange of technology information on an ongoing basis.

Annex: Specific Cooperative Projects

- a. Membrane technologies. Cooperation in joint commercialization of technology to be carried out by the National Research Council, Institute for Environmental Chemistry (IEC) for Canada and Korea's appropriate agencies that are to be designated. The Canadian side indicated that IEC has excellent capabilities in technologies for environmental improvement that is preventive in nature and involves changes to processes and products to improve efficiency and eliminate waste generation.
- b. The building construction sector was identified as an important area for technological cooperation. The CANMET Buildings Group will lead this initiative from the Canadian side. The Group engages in sponsorship of basic R&D to develop product standards, demonstration projects and technology transfer and information dissemination. A CANMET expert travelled to Korea this fall to establish initial contacts and discuss the potential for cooperation.
- c. Based on the experience of the Simon Fraser University (SFU) exercise (28 Korean Chief Executive Officers attended the first of a one-week course July 17-22), Canada and Korea will work on developing intensive training courses and/or joint workshops for senior officials and business people on environment, planning, micromachines, telecommunication, theory and practice of technology transfer, the joint development of technology and cross-cultural communication.

C. Mechanisms to Allow Joint Cooperation in the Area of Development Assistance to Third Countries

Overview

Both sides noted that development assistance has been a major element of the foreign policies of Canada in many developing countries and is increasingly so for Korea, particularly in Asia. Both sides shared the view that cooperation by Canada and Korea in the field of international development assistance is a practical and visible demonstration of both countries' interest in international development and has the potential to contribute to a deepening bilateral relationship.

Both governments have already established an active cooperation on ODA field prior to and in anticipation of the Special Partnership. On June 27-28, 1994, both governments held the first Canada-Korea ODA Consultations in Seoul and agreed to various cooperative activities. The first Canada-Korea ODA Consultations was an important step in formalizing ODA cooperation between Korea and Canada as donor countries and also an important step as part of the broadening of the already close bilateral relations between Canada and Korea. Both sides were committed to follow-up to activities agreed to during the Consultations.

Recommendations

1. Information will be exchanged between the relevant agencies of the two government on ODA related issues.
 - a. The exchange of information will continue between the Canadian International Development Agency (CIDA) and Korean ODA-related ministries, agencies and related institutions, especially on ODA policies (ODA Charter, ODA eligibility system, poverty alleviation, environment, Women in Development (WID), and good governance) and ODA implementation/management (operational policies/procedures, Canada Fund).

- b. CIDA staff will be encouraged to visit Seoul, to exchange views and information with their Korean counterparts, especially relating to Asian countries, NGOs, global issues and WID.
 - c. Korean ODA-related ministries, agencies and related institutions, including the Korea Development Institute (KDI) and the Korea Institute for International Economic Policy (KIEP), will continue to provide CIDA with information on Korean ODA (policies and activities).
 - d. Korean ODA-related ministries, agencies and related institutions will be kept informed of key reports related to Canada's Foreign Policy Review, especially relating to its ODA aspects.
 - e. The Canadian Embassy in Seoul will continue to maintain and develop contacts with Korean officials involved in ODA-related issues, and will act as the formal channel between CIDA and Korean ODA-related ministries and agencies.
2. Aid policy dialogue will be undertaken on major issues of current interest to Canada and Korea and focusing on Asia-Pacific:
- a. The second Canada-Korea ODA Consultations are tentatively planned between May - July 1995, in Canada, at the Director General for International Economic Affairs, Ministry of Foreign Affairs (MOFA) and Vice-President, Asia, CIDA.
 - b. Exchange on policy dialogue issues of mutual interest will take place on the occasion of visits of CIDA staff to Seoul and of Korean officials to Ottawa-Hull.
 - c. Further exchange between CIDA and Korea's Ministry of Foreign Affairs and Ministry of Finance will be required concerning aid coordination (policies and activities) in the context of multilateral/region groups.

3. Functional cooperation will be developed in selected areas with the view to developing linkages and relationships between CIDA and Korean ODA-related key ministries (MOFA, EPB, MOF), ODA executing agencies (KOICA and EDCF/Eximbank) and other ODA-related institutions (KDI, KWDI, KIEP, etc).

a. During the ODA Consultations of June 1994, CIDA confirmed the invitation to Korean officials from ODA-related ministries and agencies, especially MOFA and KOICA, to attend CIDA in house courses, with CIDA keeping them informed on courses's schedules;

b. Workshops in Seoul may be held by CIDA staff to reach more Korean ODA-related personnel, including:

(1) workshop on technical/financial appraisal of projects with KOICA and EDCF/Eximbank staff, focusing on telecommunications (dates to be determined);

(2) workshop on macroeconomic analysis and country programming, with KOICA and EDCF staff, and focusing on Asia, in November 1994;

(3) planned round table with the KIEP staff on Asian macroeconomics, in November 1994; and

(4) other possible workshops will be actively sought by CIDA in relation to CIDA staff travels in Asia;

c. CIDA's Asia Branch Chief Economist will attend KDI's Senior Policy Forum for senior officials of Asia-Pacific area in November 1994.

d. CIDA will facilitate linkages between KOICA's KYV (Korea Youth Volunteers) and Canadian counterparts.

e. Korean ODA-related ministries and agencies will validate CIDA's "Backgrounder on Canada-Korea ODA Cooperation" (handed to the

Korean delegation at the ODA Consultations of June 1994), in the context of the next version of the Backgrounder.

- f. The Coordinator, Donor Coordination of Asia-Branch, CIDA will make a follow-up visit on the activities of the Canada-Korean ODA Cooperation before the end of 1994.
 - g. CIDA will assist the Korean Women Development Institute (KWDI) in the development of KWDI's planned regional center aiming in part at Asia-Pacific women's organizations from developing countries.
4. Program/project cooperation in countries of mutual interest will be developed from the long-term perspective.
- a. CIDA's Asia Branch and KOICA/EDCF-Eximbank will take follow-up measures for potential joint cooperative activities based on the identification made at the ODA consultations of June 1994 of sectors and countries of mutual interest in Asia.
 - b. CIDA's Country Programs Directors and analysts for Asian countries will be encouraged to visit Seoul while travelling in Asia, to exchange lists of potential cooperative activities with KOICA and EDCF/Eximbank (including projects, joint socio-economic or thematic studies) in sectors and countries of mutual interest, with the view to identifying and implementing such cooperative activities.
 - c. CIDA and Korea's MOF will develop working relations, relating to future potential cooperation at the project level between CIDA and Eximbank/EDCF.

D. Mechanisms to Encourage Korean Business Investment in Canada, Canadian Business Investment in Korea, and Industrial Joint Ventures in Canada, Korea and Third Countries.

Overview

The Canada-Korea bilateral investment relationship is already an important part of the overall economic relationship between the two countries, with major Korean companies having investments in Canada, and several large Canadian companies with a presence in Korea. Joint ventures between Korean and Canadian companies are another important part of the relationship.

Both sides recognized that, given the complementary nature of their economies, it will be of great mutual benefit to cooperate in facilitating direct investment by their respective companies in the economy of the other, and joint ventures and strategic alliances in either country or in third countries (all referred to hereafter as "investment and joint ventures").

Nonetheless, decisions on the establishment of investment and joint ventures should be made by individual companies on their own initiative, and in accordance with their economic feasibility. In this regard, both sides agreed to take such measures as available to them on the governmental level to facilitate cooperation between the private sectors of both countries, and to encourage their respective companies to pursue investment and joint venture opportunities.

Recommendations

1. Both sides concurred that to encourage private sector investment and joint ventures, the first step is to exchange information on the general foreign investment regime and environment in each country, the sectors and industries appropriate for investment, and the firms interested in investment and joint ventures. Both sides noted that the exchange of relevant information will be of particular benefit to small and medium-sized firms interested in joint arrangements. For this purpose, both sides will take the following actions:

a. Both governments will exchange and disseminate general information on the legal and administrative regimes governing foreign investment in their respective countries, and on the economic/investment climate and priority sectors for investment in their respective countries.

- (1) Both governments will exchange comprehensive information regarding their foreign investment regime and procedures. Both governments will make their best efforts to ensure that the exchange will take place as early as possible.

The Korean side indicated its intention to provide the relevant information before the end of this year, and update it 6 months thereafter, given that major changes in its foreign investment regime are expected to take place during the first half of 1995.

The Canadian side indicated its intention to provide the relevant information before the end of this year, and to provide updates as changes in regulations required.

- (2) Both governments will exchange information regarding their respective economic/investment climates, and priority sectors for investment, as they each deem appropriate.
- (3) Upon receiving the other side's information regarding the legal and administrative regimes governing foreign investment, and the economic/investment climate and priority investment sectors, each government will take appropriate measures to make it publicly available, particularly to those firms potentially interested in investing abroad. Both sides also expressed their willingness to use the APEC investment report for this purpose.

The Korean side indicated its intention to publish the Canadian information in appropriate domestic publications, for example, monthly magazines published by the Small and Medium Enterprises Promotion Corporation (SMEPC), the Korea Trade

Promotion Corporation (KOTRA), the Korea Development Bank (KDB), and the Korea Foreign Trade Association, which are widely circulated in the Korean business community.

The Canadian side indicated its intention to disseminate this information through relevant publications, for example, CanadExport, and through appropriate organizations, for example, Canada's International Trade Centres (ITCs), the Canada-Korea Business Council (CKBC) and the Canadian Chamber of Commerce (CCC), and the Pacific Basin Economic Council (PBEC) Canadian Committee.

- b. Both sides will take appropriate measures to identify companies interested in investment and joint ventures, their areas of expertise, and their desired counterparts.
 - (1) The Korean side will make efforts to identify Korean companies interested in joint venture opportunities with Canadian firms in targeted sectors during the course of giving them access to information necessary for establishing joint ventures. The Overseas Investment Information Center of the Export-Import Bank of Korea, the KDB, and the SMEPC will be utilized in this effort.
 - (2) The Canadian side will continue its efforts to identify Canadian companies interested in pursuing joint ventures with Korean firms in targeted sectors, through projects such as strategic partnering ("Prospecting") initiatives, and databases such as WINExport.
 - (3) Both sides will take appropriate measures to inform their respective business communities about companies from the other side interested in joint ventures, so that companies might pursue these opportunities.
 - (4) Each side will make the other aware of domestic companies interested in direct investment opportunities, as appropriate.

- (5) Both sides agreed to follow up on the recommendations of the Canada-Korea Business Council to explore the feasibility of establishing a "Canada House" in Seoul and a "Korea House" in Toronto.

2. With regard to an institutional mechanism to facilitate government-to-government contact on the foregoing matters, and a contact point to facilitate business-to-business cooperation, both sides agreed to the following:

a. Both governments will designate contact points within their governments. The government contact points will serve as direct communication channels between the relevant authorities relating to foreign investment.

(1) The Korean government will designate the Comprehensive Advisory Center for Foreign Investment established within the Ministry of Finance as its contact point in Seoul and the Investment Information Center of the Korean Embassy in Ottawa as its contact point in Canada.

(2) The Canadian government will designate the Investment and Technology Bureau (TID) of the Department of Foreign Affairs and International Trade (DFAIT) as its contact point in Ottawa, and the Commercial/Economic Division of the Canadian Embassy in Seoul as its contact point in Korea.

(3) Both sides will study the practicability of using uniform standard forms for the communication between the relevant authorities of the two governments for information updates.

b. Both sides noted the existence of the Letter of Understanding (LOU) between the KDB and the former Investment Canada (now the Investment and Technology Bureau of DFAIT), and committed to renewing this agreement for mutual benefit.

c. Both sides will designate appropriate entities as inquiry points which may be easily accessed by firms of the other country seeking investment information and/or assistance.

- (1) The Korean government will designate as inquiry points in Korea the Overseas Investment Information Center of the Export-Import Bank of Korea and the SMEPC. The Korean government will also designate the Foreign Information Center in the Korean Consulate General in Toronto (primarily for information from governmental sources) and the KOTRA branch office and KDB office located in Toronto (for commercial and company-specific information) as inquiry points in Canada.

The designated inquiry points will prepare and publish information materials on Korea's foreign investment regimes and related procedures and will assist Canadian companies in acquiring necessary information. The inquiry points will also function as match-maker for joint ventures.

- (2) The Canadian government will designate the Investment and Technology Bureau of DFAIT in Ottawa and the Commercial/Economic Division of the Canadian Embassy in Seoul as inquiry points.

d. Both governments will invite their respective national trade and investment promotion entities to intensify their coordination efforts, with particular emphasis on small and medium-sized companies interested in investment and joint ventures.

e. Both sides will make their best efforts to assist the activities of business groups involving private sectors of both countries, including the Canada-Korea/Korea-Canada Business Council. It is the expectation of both sides that these entities will contribute to the facilitation of relevant information exchange and thus to enlarging the investment and joint venture opportunities.

3. In order to provide a consultative mechanism between the two governments aimed at accelerating mutual investment and joint ventures, a Subcommittee on Industrial Cooperation will be established under the Special Partnership Working Group during its extended period.

a. The Subcommittee will be mandated to:

- explore areas for potential governmental initiatives to support industrial and technological cooperative efforts of the private sectors of both countries; and
 - identify areas for potential actions on a bilateral level to expand Canada-Korea investment and joint venture relations, and cooperation in third countries.
- b. The Subcommittee will be co-chaired by the director-general or director level. The Subcommittee will meet at a mutually agreed convenient time, preferably shortly before a Special Partnership Working Group Meeting, to review the above mandate.
4. Both sides agreed to take other measures to promote investment and joint venture arrangements:
- a. Both sides will send, as feasible, special missions aimed at promoting mutual investment and joint ventures to the other country. Both governments will extend full cooperation and convenience to the investment missions dispatched by the other.

The relevant authorities of both governments (the Economic Cooperation Bureau of the Ministry of Finance for Korea, and the Investment and Technology Bureau and the Asia and Pacific Branch of DFAIT for Canada) will consult during 1994 to draw up a plan to exchange investment promotion missions during 1995 and 1996.

- b. Both sides will arrange seminars in the other countries to explain to interested businesses their respective foreign investment regimes and business environments, sectors of investment opportunity, and the current and prospective roles of the governments in those systems. Each government will extend cooperation to the other, as requested, in the organization of these seminars.
- c. Each side will endeavor to bring to the attention of the other particular business/investment events in their countries that might be of interest to their respective business communities.

5. In order to enhance opportunities for joint ventures in third countries, both governments will cooperate with each other through an information linkage between the relevant government agencies.

In particular, both sides noted that there are several favorable factors that make Korea and Canada ideal partners in the nuclear power cooperation in third countries. To ensure support at the policy level for private sector cooperation in this field, both governments will use various bilateral channels such as the Energy and Minerals Working Group meeting and the bilateral business group mentioned above.

In this context, both governments will work together to make possible a joint participation of the Korea Electric Power Corporation and Atomic Energy of Canada Ltd. in the construction of an atomic power plant in Akkuyu, Turkey.

6. Both sides shared the need to work together to develop a legal framework for a more favorable environment in each country for investment by firms of the other country.

a. To this end, both sides agreed to enter into negotiations as early as possible with a view to concluding a bilateral agreement on the protection of investment.

b. Both sides also agreed to enter into preliminary discussions on the merit of a bilateral social security agreement with a view to concluding such an agreement at the earliest possible date.



II. MULTILATERAL OPTIONS

A. Joint Collaboration in the WTO, OECD, APEC, and ad hoc groups

Overview

Both sides concurred that the ever-changing world economic environment requires both governments to work closely together to adapt more effectively to the many changes facing them.

Taking into account the nature of its mandate, the Working Group, rather than attempting to coordinate the position of both governments on specific issues in particular multilateral fora, agreed to establish an institutional framework through which both governments may facilitate preparation for, and consultation during, multilateral decision-making processes where they share mutual interests or concerns.

Both sides also agreed on the usefulness of addressing in a bilateral context a variety of emerging issues on the global trade agenda (as annexed to this report) through different levels of dialogue channels during the course of collaboration. Highest priority would be given initially to anti-dumping and to financial services, given the fact that these matters were germane to the bilateral relationship.

Recommendations

1. Both governments will establish regular dialogue channels between the diplomatic missions of both countries that are responsible for day-to-day business relating to such major multilateral economic fora as the WTO (GATT), the OECD and APEC.

a. To this end, both governments will designate Geneva, Paris and Singapore as the principal contact points for such dialogue. Additional contacts may also be arranged between our respective missions in Washington, D.C and Brussels. The list of each country's officials for contact will be updated periodically.

b. Both governments will instruct their respective missions to establish the modality for informal dialogue with their designated counterpart mission in such a manner as to reflect the situation at their particular location. Meetings will be arranged at a convenient frequency. In particular, it is expected that informal consultations will take place before and after significant events, for example, the annual OECD ministerial meeting.

2. Recognizing that close contact between senior officials of both governments will also be useful, both sides agree to arrange meetings among relevant officials (at the level of director-general and director) in an informal setting for periodic brainstorming sessions to discuss a variety of international economic issues, including ways to cooperate mutually in multilateral fora. These meetings are expected, inter alia, to promote intimacy between counterparts to the extent that they can communicate with each other with a minimum of formality in situations requiring urgent attention. A contact point on each side may be designated to act as the focal point for the exchange of information to this end.

3. Recognizing that Canada is a member of such fora as the G-7, the OECD and NAFTA, where Korea is not represented, Canada will consult with Korea with respect to issues of mutual benefit to further the objectives and purposes of the Special Partnership Working Group and brief Korea to the extent possible on the results of important meetings of these organizations. Korea will reciprocate with regard to other important fora, if any, where Korea participates and Canada does not.

Canada will cooperate fully with Korea in Korea's effort to join the OECD by the end of 1996. Upon request, Canada will provide Korea with information on various economic issues of importance to Korea discussed in the OECD and will offer to the extent feasible technical advice Korea may seek.

Korea will continue to work closely with Canada with regard to discussions on the future structure of APEC, the CTT's activities in the promotion of a more liberalized trade and investment environment in the Asia-Pacific region and in other APEC countries of particular interest to both parties.

While the Working Group continues to exist, it may be mandated to further develop other cooperative options in international fora, including a G-7+(plus) concept.

4. Both countries agreed to work closely together to formulate a more tangible G-4 consultative mechanism where like-minded countries in the Asia-Pacific region could consult in order to adapt to the changing international economic environment. Welcoming the initiatives taken by ministers of both governments in this matter, the Working Group recommends that ministers continue to pursue their mutual consultations to further activate the G-4 mechanism. With its new mandate and extended duration of activities, the Working Group will contribute to the further development of this consultative mechanism.

Noting that the special partnership to be built between the two countries is an important ingredient for formulating the G-4 mechanism, both governments will cooperate with each other in forging an equivalent relationship with each of the other members of the G-4.

Annex: The Emerging Trade Agenda

Notwithstanding the successful completion of the Uruguay Round and various sub-regional arrangements in the region and elsewhere, there is a need to address the shape of the new international trade agenda. The Uruguay Round, the CER, the CISFTA, NAFTA and AFTA are significant way -- stations towards a more integrated world economy. They are not final defining points of what is possible or necessary in a world and a regional economy that is increasingly globalized.

An indicative agenda arising from some or all of the factors noted above could include:

- Further rule-making and liberalization commitments in services, agriculture and government procurement
- Trade and the environment
- Trade and competition policy
- Trade and investment
- Trade and technology
- Trade, employment and labor standards
- Trade and exchange rate policy
- Trade and taxation
- Regionalism
- Integrating developing and transition economies
- Reducing the gap between LLDCs and the others
- Further reduction/elimination of tariffs, including the erosion of preferences

Both governments will coordinate in addressing, analyzing and discussing these issues, without prejudice as to whether, when, or where these matters could or should be made the subject of international trade rule making over the coming years. Consultation and policy dialogue will help both governments to develop a more informed approach to each of these issues over and above the immediate, high priority task of ratifying and fully implementing the outcome of the Uruguay Round as well as of the various regional trading agreements to which both countries are parties.

The achievements of the Uruguay Round were significant: the Round was the largest, most complex and most comprehensive trade negotiation ever undertaken. The final package, signed at Marrakech by more than 120 participating governments, includes over 25 separate agreements, all contained within a strengthened World Trade Organization (WTO). Countries made commitments either to lower or to eliminate tariffs and other barriers to trade related to goods and services. New areas have been brought into the ambit of world trade rules, including intellectual property, trade-related investment and services, while traditional sectors, such as agriculture and textiles will be subject to a common set of trade rules. Strengthened rules, particularly those related to subsidies and countervailing duties, and a more integrated system of dispute settlement, will bring greater certainty to world trade.

Notwithstanding the comprehensive outcome of the Uruguay Round, the pressure to shape a post-Uruguay Round agenda already are evident and come from several sources. One is the unfinished agenda of the Round, much of which is set out in the Final Act. Work in this context has begun or will begin soon in Geneva in areas such as telecommunications, financial services, maritime transport, and the movement of persons. Later this year, discussions of subjects such as government procurement, and civil aircraft, professional services, services subsidies and safeguards as they relate to services will also begin.

A second impetus to shape the new trade agenda stems from other aspects of the work programme already agreed to at Marrakech. Discussions in particular on trade and the environment will continue in the WTO Preparatory Committee and later in the World Trade Organization itself.

In addition, pressures from non-governmental organizations will increasingly help to shape the new trade agenda of the 21st Century. Public concern about issues, and the perceived attractiveness of using trade instruments to regulate or influence public policy problems. This means that certain subjects will increasingly be raised in international trade discussions. The environment and labor standards are two contemporary examples.

Other likely influences on the evolving trade agenda will be disputes or differences between GATT/WTO contracting parties and new WTO rules that are not clear or that require more precision. Disputes could also occur in areas that were not covered in the Uruguay Round such as the area of services.

Economic policy requirements, such as the remaining tariffs on industrial and agricultural commodities, will also need to be addressed later in the decade or very early on in the next century. Finally, systemic friction, some reflected in the plenary statements at the recent Marrakech ministerial meeting to conclude the Uruguay Round, will also help shape future trade discussions.

III. OPTIONS FOR STRENGTHENING TRADE AND INVESTMENT RELATIONS

Overview

The Canadian side expressed its interest in the opinion of the Korean side on the possibility of Korea's accession to NAFTA. The Korean side indicated that its government is not in a position to seek membership at the moment. However, the Korean side indicated that in the longer run, its government will explore various options to enhance Korea's participation or involvement in NAFTA - gradually developing some form of linkage with NAFTA. The Korean side particularly noted domestic sensitivity associated with this issue, pending ratification of the WTO agreements by its National Assembly.

On the issue of possible linkage with NAFTA and at the suggestion of the Canadian side, the Korean side has undertaken to carry out analysis to identify those NAFTA obligations that would be difficult for Korea to accommodate at this stage. A preliminary report was submitted to the Working Group at its second meeting. A more in-depth analysis will be completed by the end of 1994. This analysis will be used as a reference material for further discussion between the two governments on this issue.

The Korean side also expressed its concern that NAFTA may be implemented in such a manner as to create trade barriers toward non-member countries or to reinforce exclusive regionalism. The Korean side reiterated that NAFTA should remain vigilant against exclusivity toward non-member countries and that NAFTA must be operated in a GATT-consistent and non-exclusive manner. The Canadian government stated that NAFTA is fully consistent with the GATT requirements as set out in Article XXIV. NAFTA is based on the concept of open regionalism, and as such, is open to accession by any country prepared to meet its objectives.

Recommendations

1. The Canadian side indicated its intention to invite Korean government officials to brief them on the framework and implication of NAFTA clauses and to update them on recent developments in NAFTA implementation. The Korean side agreed to take advantage of this opportunity for exploring the practical and technical aspects in its efforts to increase Korea's possible linkage with NAFTA without obligating it to accede formally to NAFTA. The Korean side also welcomed the Canadian overture of information-sharing on the implementation process of NAFTA. The Canadian side will arrange a briefing at a mutually convenient time. Such occasions as the meetings of the Special Partnership Working Group may be used for this purpose.

2. The Canadian government will provide the Korean side, as appropriate and to the extent possible, with updated information on ongoing discussions with other NAFTA members on issues of interest to Korea, particularly on those likely to affect non-members.

2. At future officials meetings, both governments will continue to discuss options for increasing Korea's linkage with NAFTA and matters relating to the implementation that may affect Korea's trade with Canada and other NAFTA members.

(The End)

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