



# North Korea, Kaesong and Reunification

by Ingolf Kiesow

*Today, North Korea's official news agency reported that the country has conducted its second successful underground nuclear test explosion. South Korea's and Japan's foreign ministers, who are attending an ASEM meeting in Hanoi, have agreed to call for a U.N. Security Council meeting today. These events will arouse considerable international attention from a non-proliferation point-of-view, but they are likely to overshadow another aspect that can be of equal importance for the long-term development on the Korean peninsula.. That is the irrevocable impact that North Korea's attitude will have on the Kaesong Industrial Complex and on South Korean willingness to take part in any reunification process.*

The most promising Confidence Building Measure between North and South Korea is the Kaesong Industrial Complex (KIC). South Korean firms have invested in industrial production in the North Korean town of Kaesong, where more than 15,000 North Korean workers are employed. However, this Confidence Building Measure runs the risk of becoming a real disaster in North-South relations.

In spite of the present political climate, in a long-term perspective, never before have such propitious conditions existed in the form of people-to-people contacts between the two Koreas, namely, the very large and promising co-operation project in Kaesong. Therefore it is a matter of concern that the following announcement was made by the North Korean News Agency KCNA on May 15:

*We declare null and void the rules and contracts on the land rent, land use tax, wages, all sorts of taxes, etc. which we have so far applied to the south side in the KIZ .....We will start going through the procedures for implementing the measures in line with the laws, regulations and norms to be revised as required by the changed situation and reality.....The enterprises and personnel concerned of the south side in the KIZ should unconditionally accept the above-mentioned matters and we do not care about them leaving the KIZ if they have no will to carry them out.*

A contingency plan is now being worked out in preparation for the possibility of the closure of the industrial

complex, in order to ensure the safety of the South Korean staff at Kaesong.

The economic consequences for South Korea are seemingly limited. The stock exchange in Seoul has not been much affected by the news. The situation is worse on the northern side of the Line-of-Armistice. At least 150,000 persons are dependent for their livelihoods on the industrial park, and the economic situation in North Korea is not likely to make it easy to find substitute employment.

Furthermore, some South Korean media are spreading rumors indicating that the North Korean regime is deliberately stoking tensions with the South. A former senior member of the North Korean Workers' Party, who fled to the South, has revealed that *officials and organizations dealing with South Korea have been ordered to stir up conflict in the South*, according to a *well-connected diplomatic source*. *Revolutionary groups* in the South should also be supported.

North-South relations already include such ingredients as fears in the South of a North Korean nuclear weapon, fears which have been fueled by the recent rocket launch and threats of a second nuclear test explosion. Tensions have further been aggravated by a generally aggressive North Korean attitude and an intense propaganda campaign directed at the South Korean president.

There is a danger for permanent damage in relations in this development. North Korea has obviously decided that it is going to be a nuclear state – as it says that it will. It provides itself with nuclear warfare technology by



means of nuclear test explosions and rocket launches (which are said to be for peaceful purpose, but undeniably gives the country added know-how that can be used in missiles).

North Korea – quite understandably – is disappointed and angered by the change of policy towards the North that President Lee Myung-bak has pursued since his inauguration in February 2008, with his more conditional policy representing a clear and pronounced breach with the “sunshine policy” of his predecessors.

Negative reactions in the South to North Korea’s hostile attitude have thus far been mostly confined to a few newspapers and politicians. The South Korean Minister for Unification, for instance, still says that he is optimistic about the prospects for Kaesong, and the government is trying to negotiate. These efforts, however, do not meet any response but only contempt in the state-controlled media of the North.

The North Korean regime is strongly centralist and it controls all media of mass communication. Any new ideas or ways of thinking that are not in line with official socialist Juche policy are seen as dangerous. The economic concepts for success in a capitalistic enterprise are also inherently dangerous thoughts, such as *profit, transparency, and cheap labor*. The South Korean managers at Kaesong therefore have a very delicate task in dealing with their North Korean workers and co-managers. On the one hand, they have to impart lessons on how to operate a factory and make profits and, on the other hand, they have to avoid the danger of being accused of anti-government propaganda. Many high officials from Pyongyang, both military and civilian, have paid visits Kaesong to gauge whether the activities there constitute a threat to order in the DPRK. To some of them, such a threat must have seemed to loom and their arguments may have been given more importance by the negative development of the general climate in North-South relations.

The North may be miscalculating the impact of its handling of the Kaesong question. If the South Korean companies withdraw from Kaesong, they are not likely to return and it will have a deep impact on South Korean public opinion. Reunification is already a word that meets with only lukewarm reaction in the South, and if Kaesong is allowed to become a major failure, hostile reactions can be expected that will have a long-term and negative impact. A significant failure in Confidence Building Meas-

ures is a dangerous thing per se. Adding substantial economic losses to the outcome is equal to rubbing salt in the wound.

Another interpretation is also possible and perhaps more likely after today’s test explosion, namely, this is a final confirmation that North Korea intends to become a nuclear power and is trying to reduce or eliminate any dependence on the outside world.

That also raises the question whether China is prepared to act together with USA and its “allies and friends” or will choose to continue its support for North Korea by providing food and fuel (without which the isolation will be much harder to bear). It also has to be seen in connection with China’s relations with USA in the Western Pacific, which includes problems like Taiwan and the extension of China’s right to control the waters (and Sea Lanes of Communication) in the South China Sea as well as other geo-strategic considerations.

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